Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Dhs0.650	Israel	Shk4.90	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM2.80	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira15	Tunisia	Din0.900
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

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D 8523A

UNITED STATES
Bush's bold education reforms
Page 18

World News

Germany and Japan accept forces can serve abroad

Germany agreed to send 300 Bundeswehr troops to Iran and Japan approved the despatch of minesweepers to the Gulf, two significant steps in relaxing the way their respective post-Second World War constitutions are interpreted. Page 4

Meanwhile, Britain issued a thinly veiled warning to Iraq that military action was imminent unless it withdrew forces from where Kurdish relief camps are being built. Gulf reports, Page 4

US sanctions claim

The US may lift some economic sanctions against South Africa within two or three months, Chris Hani, head of the African National Congress's (ANC) military wing, said in Washington. Mandela seeks more pressure, Page 4

Quake death toll

At least 69 people were killed and 800 injured in Monday's earthquake in Panama and Costa Rica, which authorities fear could open Central America's doors to the South American cholera epidemic.

Baker attacks Israel

US secretary of state James Baker sharply criticised Israel over new settlements in the occupied territories amid signs that his peace shuttle might be faltering. Page 20; PLO moderates win test, Page 4

Blow for London

Manchester, north-west England, dealt a powerful blow to London by winning the right to bid for the Olympic Games in the year 2000. Page 10

Police swoop on art

Hundreds of police investigators raided homes and offices across Japan in a widening corporate scandal involving art and real estate deals worth millions of dollars. Page 20

China rights probe

Peking agreed to receive a six-person Australian team to examine human rights conditions in China and Tibet, Australia's foreign minister, Gareth Evans, announced.

Pro-Meciar march

Supporters of Vladimir Meciar, the Slovakian prime minister sacked on Monday, took to the streets to accuse their Czech parliamentarians of being traitors. Page 2

Ozal airline vow

President Turgut Ozal vowed to close down the national carrier, Turkish Airlines, if no deal was reached within days that would end a 23-day strike.

Zaire rally crushed

Zairean security forces broke up a protest march in Kinshasa by about 1,000 opponents of President Mobutu Sese Seko. The march celebrated the first anniversary of a Mobutu speech bowing to demands for multi-party politics.

Bus crash kills 19

Nineteen people died and 50 injured when a bus negotiating a narrow bend near the hill country town of Haputale, Sri Lanka, plunged down a 180m (600ft) precipice.

Tornadoes hit NZ

Tornadoes swept across New Zealand's far north, reducing a historic church and other buildings to matchwood. Sixteen people were injured.

South Korean uproar

Hundreds of South Korean students tossing stones and petrol bombs repelled riot police trying to storm their Seoul campus to prevent screening of a banned anti-government film.

Garlic raises stink

Four Indonesian warships gave chase to a Thai vessel caught trying to smuggle 40 tonnes of garlic into east Java. Indonesia bans imports of garlic to protect its farmers.

Business Summary

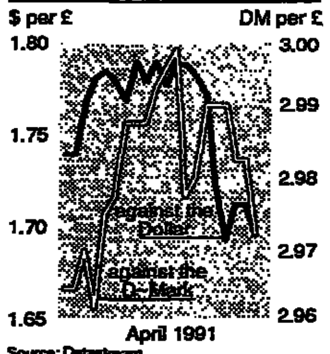
Olivetti halts payout as profits fall to L60.4bn

Olivetti, Italian computers and office-equipment group, suffered a severe fall in net profits last year to L60.4bn ($46.3m) from L202.8bn in 1989. It is suspending the dividend on its ordinary shares. Page 21

SOVIET debt could rise from $65bn to $75bn or more by the end of this year according to Deutsche Bank. Page 2

DOLLAR rallied despite a second day of co-ordinated intervention by European central banks. In London the dollar rose to DM1.7535 from DM1.7420; to Y138.05 from Y137.90; to SFr1.4715 from SFr1.4590; and to FFr5.9125 from FFr5.8750. Sterling weakened in the ERM, but remained the third strongest currency, behind the Spanish peseta and Italian lira. Page 40

Sterling



Source: Datastream

MARKETS: Dow Jones Industrial Average was down 3.22 at 2,927.23 by 1.30pm. DAX index closed 6.68 higher at 1,603.73 after a rise of 2.16 to 678.92 in the FAZ at midsession. Markets, Section II

WORLD Bank has approved a $120m loan aimed at improving Poland's inefficient telecomms system. Page 2

LYONNAISE des Eaux-Dumez, newly formed French water, construction and electrical equipment distribution group, reported increased turnover and profits for 1990. Page 21

SAAB-SCANIA, Swedish vehicle and aerospace group, reported a 47 per cent fall in profits. Page 21

GEC Avionics, aerospace subsidiary of General Electric Company of the UK, will announce orders worth more than £300m ($507m) to supply flight computers and cockpit display equipment for the next generation of US Stealth fighter aircraft. Page 20

ZENITH Electronics, US company competing for a share of the high-definition television market, unveiled a deeper first-quarter loss. Page 21

TOKYO has agreed that a 20 per cent target figure can be included in a new pact with the US on its foreign semiconductor market share in Japan. Page 3

STATOIL, Norway's state oil company, announced the award of NKr1.4bn ($204.5m) worth of contracts for two satellite structures to the Statfjord oilfield. Page 3

US airline industry lost $4bn because of the Gulf war, the Air Transport Association of America said. Page 4

JAPAN enacted a national land tax aimed at curbing high land prices. Page 4

NICARAGUA expects to settle $360m in overdue payments to the World Bank and the Inter-American Development Bank (IADB) by the middle of this year. Page 6

GOODYEAR Tire & Rubber, last surviving big US tyremaker, unveiled a considerable first-quarter net loss on declining sales. Page 24

CHRISTIAN KJOELAAS, president of Fokus Bank, Norway's third biggest bank, stepped down, just two months after the announcement that the bank had run up a big loss for 1990. Page 25

Gorbachev and Yeltsin agree union treaty

By John Lloyd and Leyla Boulton in Moscow

REBELLIOUS Soviet republics will be allowed to pursue their plans for full independence under the constitution following a landmark agreement between embattled President Mikhail Gorbachev and Mr Boris Yeltsin, the Russian leader, on a new union treaty.

A joint statement, published yesterday after being signed by the two men and eight other leaders of Soviet republics on Tuesday night, commits them to an agreement on such a treaty, followed by a new constitution and fresh union elections, as soon as possible.

They also explicitly allow the six other republics – the three Baltic republics, Armenia, Georgia and Moldavia – not represented at the meeting, the right not to sign a union agreement. This in turn implies, although the phrasing is elliptical, that the six could instead proceed to full independence.

However, the statement warns that those republics would then be expected to settle their accounts with the union in hard currency. Mr Yuri Kahn, Estonia's permanent envoy to Moscow, welcomed the declaration as "progress" even though it meant paying more for energy and other supplies from the rest of the country.

"Of course economically it will be very difficult but it is a very important step in the direction of a market economy. We understand that sooner or later we must go to world market prices," he said. Politically, it had the merit of recognising the Baltic states' "legal right not to sign the union treaty".

Mr Gorbachev's coup in securing agreement on some of the most fundamental issues facing the Soviet Union opens the possibility of further talks on a new form of government bringing in different political forces – or, as some are now calling for, a more powerful Federation Council uniting the leaders of the republics under the chairmanship of Mr Gorbachev. It also suggests that the Soviet president is now veering away from the hardline camp on whose support he has relied in recent months, back to an alliance with more radical forces. In doing so, he risks the wrath of groups such as the Soyuz faction in the union parliament, which has already called for a special congress to review his performance.

Mr Gorbachev got the agreement – published yesterday only in the late editions of Pravda, the organ of the Communist party central committee – just as the central committee was gathering for a plenary meeting at which hardliners had threatened to raise the issue of his future as general secretary.

First indications from the plenum were that he had avoided any serious challenge. Members of the central committee said during a break that specific motions to unseat him had been kept off the agenda.

The key to the agreement with the republics apparently lies in the final paragraph which says that its signatories realise that "these measures are inconceivable without a fundamental increase in the role of the union republics."

A spokesman for the government suggested this would be
Continued on Page 20
Editorial Comment, Page 18

Germany 'will not cut rates'

By David Marsh in Bonn

GERMANY will resist calls from the US to cut interest rates at next Sunday's meeting of the Group of Seven leading industrial nations in Washington, according to Mr Karl Otto Pöhl, the Bundesbank president.

In an interview with the Financial Times at the central bank's headquarters in Frankfurt, Mr Pöhl said: "A cut in interest rates in Germany is not on the agenda. Calls for Germany to cut interest rates are, from our point of view, difficult to understand.

"Other countries, for instance in the European Monetary System, are making use of the relative weakness of the D-Mark to cut their own interest rates without our having to do so."

Mr Pöhl, a pivotal figure in negotiations on European monetary integration, welcomed Tuesday's proposal from Luxembourg to set up a European central bank during the transition to monetary union, but to delay its creation until 1996.

"This suggestion goes in the right direction, but we will have to study it carefully before coming to a final judgment."

Adding an important refinement to the Bundesbank's thinking on a European central bank, he said: "It is important that a decision on setting up a European central bank is not taken until it is clear which countries are willing to transfer their monetary policy powers to this institution."

Once this had become clear, Mr Pöhl said, "a European central bank could be set up two years before it would actually become fully operational, to allow the necessary time for preparation".

On the interest rate controversy, where Mr Nicholas Brady, US treasury secretary, has urged Germany to ease policies in recent informal meetings, Mr Pöhl declared: "German monetary policy has to remain tight". The issue is expected to surface during the G7 meeting of finance ministers and central bankers from the US, UK, France, Italy, Canada, Japan and Germany.

The US calls have been part of Washington's bid to reduce the risk of a worldwide recession. However, Mr Pöhl pointed out that parts of western Germany's economy were experiencing overheating. Recalling western Germany's strong growth of 4.5 per cent last year and still-low inflation of 2.5 per cent, Mr Pöhl said: "The position of the German economy as seen abroad has been made worse than we deserve. East Germany is an enormous problem, but the situation in West Germany is basically very satisfactory".

Easing of the monetary reins could prove counter-productive because it might weaken confidence in the D-Mark, he said. "If we followed an easier policy, and this had an effect on the D-Mark, the result would be that German interest rates would not be lower, but higher."

Mr Pöhl, who in unguarded comments last month called the aftermath of German monetary union a "disaster", said: "The situation in East Germany was portrayed by the government (in Bonn) rather too favourably last year. Now comes the moment of truth."

He suggested that the Bonn government, through its package of tax increases announced two months ago, had reacted to the challenges somewhat late.
Continued on Page 20


Karl Otto Pöhl: the position of east Germany is "an enormous problem"

Intervention fails to reverse dollar rise

WIDESPREAD intervention on foreign exchange markets by European central banks failed yesterday to reduce the value of the dollar and support a sagging D-Mark, writes Peter Marsh in London.

Eleven European central banks, led by the Bundesbank, sold dollars for the second day running in an attempt to lift the D-Mark which has been hit in recent weeks by worries about the German economy.

However, the effort was hampered by the lack of any sign that the US Federal Reserve was joining the operation.

In London, the dollar gained more than 1 pfennig against the Germany currency, closing at DM1.7535. The dollar's strength depressed sterling, which against the US currency closed at $1.6945, down by just under 1 cent. Against the D-Mark, sterling lost 1 pfennig, finishing at DM2.9725.

Suzuki in deal to build cars in eastern Europe

By Nicholas Denton in Budapest and Kevin Done in London

SUZUKI is to become the first Japanese carmaker to assemble vehicles in eastern Europe. It is to take a 40 per cent stake in a joint venture in Hungary, Magyar Suzuki, to produce up to 60,000 cars a year.

Its partners in the venture are C.Itoh, the Japanese trading group, with an 11 per cent stake, Autokonszern, a Hungarian consortium (40 per cent), and International Finance Corporation, a World Bank affiliate (9 per cent).

The total project cost of more than Y32bn ($230m) makes it Hungary's largest joint venture undertaking to date. Magyar Suzuki will have an equity capital of Y10bn. Production is due to start at end-1992, Mr Osamu Suzuki, Suzuki Motor president, said. Viability depended on promoting local production of components and improving quality, he added.

The company said output would be about 15,000 in the first year, rising to 50,000 after the third year. The workforce will total some 1,100 when production reaches 50,000 a year. Suzuki aims to reach a target of 60,000 cars a year by 1997.

The venture will be located at Esztergom, north of Budapest. Suzuki said it would assemble its small 1-litre and 1.3-litre Suzuki Swift hatchback range at the plant.

The Japanese carmaker is giving local parts suppliers a stake in the success of the project by taking them on as equity-holding partners. It is encouraging them to link up with its own suppliers in Japan through joint venture or licensing agreements.

Up to 1997, it aims to increase local content to some 70 per cent. Suzuki seeks to sell about 60 per cent of output in the Hungarian market, with some 40 per cent exported mainly to western Europe.

Like Fiat's small-car production at FSM in Poland, Suzuki will seek to export from its Hungarian plant to the whole of the European market.

Hungary was chosen because it had the most market-oriented economy in eastern Europe and a home market free of domestic competitors, Mr Istvan Lepsenyi, Magyar Suzuki president, said. The Suzuki investment in Hungary
Continued on Page 20

IMF optimistic of recovery in the world economy this year

By Peter Norman, Economics Correspondent, in Washington

THE International Monetary Fund is optimistic that the world economy will begin to recover this year and believes that the US should move cautiously when considering interest rate cuts.

Introducing the IMF's latest twice-yearly Economic Outlook, Mr Jacob Frenkel, director of the research department, said the fund was adopting a "somewhat positive" tone with regards to the global economic outlook – despite a clear deterioration in near-term prospects since its last report in October.

The IMF projects a recovery in the growth of the global economy to 2.9 per cent next year from an anticipated 1.2 per cent this year. Its projection envisages a strong bounce back in US growth to 2.7 per cent next year from just 0.2 per cent this year, and a sharp recovery in developing country growth to 3.4 per cent in 1992 from 0.8 per cent this year.

Mr Frenkel said now was not the time for the US Federal Reserve to pursue an active monetary policy.

If the US economy grew as projected, the Federal Reserve should "weigh very cautiously" the balance between the short-term weakness of the US economy and the medium-term strategy for combating inflation when considering its interest rate policy.

The Federal Reserve should not resist market forces, he said. The only circumstance in which rates could be cut would be if US economic developments turned out to be weaker than projected.

At a time when Mr Nicholas Brady, US treasury secretary, has been calling for lower US interest rates and putting pressure on Germany to cut its rates, IMF officials are concerned that an unwarranted cut in US rates now could lead to too steep a recovery in six to nine months time.

Underpinning this concern is confidence that the world economy may be nearing the bottom of the trough. In its Outlook, the IMF says the US recession is likely to be "shallow and short" and have only a small impact on growth elsewhere in the world compared with the downturns of 1973-74 and 1981-82.

The IMF bases its relatively optimistic view of the world on the continuation of relatively strong economic growth in Japan, Germany and elsewhere in continental Europe.

The current level of US interest rates is also expected to revive demand for consumer durables. Mr Frenkel pointed out that the Federal funds rate, at which banks lend reserves to each other, had fallen about 4 percentage points to about 6 per cent from its most recent peak.

However, the bleak economic outlook for the Soviet Union and eastern Europe is a worry. The IMF projects economic growth of 2.8 per cent for eastern Europe next year after a 1.5 per cent fall in real gross domestic product this year, and last year's GDP fall of 8.6 per cent for the region.

Eastern Europe is heavily dependent on trade relations with the Soviet Union and trade between the USSR and eastern Europe is in disarray.

CONTENTS

Time running out for EC's plans on political union

Work by the EC on monetary and political union is at risk because of pressure from potential members Last week, EC commissioner Frans Andriessen proposed they be offered "affiliate" membership
Page 2

MARKETS

STERLING
New York lunchtime:
$1.693
London:
$1.6945 (1.7115)
DM2.9725 (2.9825)
FFr10.0175 (10.055)
SFr2.4925 (2.4975)
Y234.00 (236.0)
£ Index 91.20 (91.7)

GOLD
New York: Comex Jun $358.1 (358.9)
London:
$357.30 (355.7)

N SEA OIL (Argus)
Brent jun
$19.325 (19.425)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.754
FFr5.9165
SFr1.471
Y138.23
London:
DM1.7535 (1.742)
FFr5.9125 (5.875)
SFr1.4715 (1.459)
Y138.05 (137.9)
$ Index 66.5 (same)
Tokyo close: Y137.55

US lunchtime rates
Fed Funds $5\frac{11}{16}$%
3-mo Treasury Bills:
yield: 5.817%
Long Bond:
$95\frac{13}{32}$
yield: 8.235%

STOCK INDICES
FT-SE 100:
2488.6 (-15.2)
FT Ordinary:
1952.5 (-13.3)
FT-A All-Share:
1205.74 (−0.6%)
New York lunchtime
DJ Ind. Av.
2,939.11 (+8.66)
S&P Comp
381.54 (−0.22)
Tokyo: Nikkei
26,330.21 (−161.36)

LONDON MONEY
3-month interbank:
closing $11\frac{13}{16}$% (same)
Liffe long gilt future:
Jun 92 ($91\frac{7}{8}$)

Real world gets in the way of redesigning Twelve

The work of the EC's conferences on political and monetary union risk being overtaken by events, writes **David Buchan**

INCONVENIENTLY for Eurocrats, time refuses to stand still while the European Community redesigns itself.

The Community's two inter-governmental conferences (IGCs) on political and monetary union, which in nearly four months have produced some tentative compromises but no firm deals, risk being buffeted by events in the *real* world – Chancellor Helmut Kohl's domestic political setbacks, the prospect of a British general election, and, from the outside, the banging of more applicants on the Community's door.

Eastern Europe's expectations of what the EC can and should do for it continue to gallop ahead of the reality of what the Community is offering. Before the ink was dry on economic co-operation agreements, eastern Europe was clamouring for fully-fledged political association and free trade accords.

Last week, Mr Frans Andriessen, EC external affairs commissioner, bent under the pressure and proposed "affiliate" membership for countries craving the political security of belonging to the Community before being able to meet the economic test of membership. The IGCs were studiously ignoring the implications of the Community growing to 24 members, the Commissioner complained.

Mr Andriessen's idea that countries could select certain EC activities in which to participate as full members may speed membership bids from European Free Trade Association (Efta) countries. Just when Efta's frustration is reaching breaking point at being offered only a voice on the key EC legislation – that would form the core of the planned European Economic Area (EEA) – up pops someone in Brussels with a scheme to give them a vote.

Talks are being held today between senior officials and next month between ministers to save the EEA negotiations; but if they fail, Sweden may not be the only Efta country this summer to follow Austria in applying to join the EC club.

In fact, the IGC on political union has now agreed on a kind of variable geometry that might suit newcomers. This divides Community activities into three:

- Standard policies (still largely economic) set by the standard machinery of the Council/Parliament legislating on Commission proposals.
- Common foreign and security policy with a relatively small role for the Commission and almost none for the Parliament.
- A purely inter-governmental area of co-operation on police and judicial issues such as drugs, crime and immigration.

A Luxembourg compromise plan to delay creating a European Community central bank until 1996 strays from an agreement reached at an EC summit in Rome last October, the European Commission said yesterday, Reuter reports from Brussels.

"The compromise does not conform to Rome," a Commission spokesman said. The 17-member EC executive remained convinced that the bank should be formed two years earlier, in 1994.

For all, actual and potential members alike, the most sensitive aspect is defence, on which there are now three competing drafts. The Luxembourg presidency proposes that defence matters "can" be wholly or partly dealt with by the Western European Union (WEU) with a review in 1996; the Netherlands, backed by the UK, proposes that all defence matters "will" be treated by WEU; and France wants some EC involvement, at summit level, in defence from the outset and the 1996 review to create a common EC defence policy.

This internal debate will divide outsiders. East Europeans, frustrated by the North Atlantic Treaty Organisation's refusal to offer them any formal association, may want to see a common EC defence policy that one day might cover them, while neutral Efta countries hope no such policy will emerge.

Another indicator of how supranational the Community may become is the degree to which the European Parliament is given a say in EC law-making equal to that enjoyed by the Council of Ministers. Luxembourg proposes giving MEPs, whose present amending powers depend crucially on Commission support, a right of "co-decision" on a new category of framework laws.

This goes too far for countries such as Britain and Denmark, but has been strongly attacked by the Parliament which (along with Germany) wants co-decision across the board and by the Commission which sees its brokering role in legislation disappearing. The Luxembourg plan calls for a "conciliation committee" between the Parliament and Council – akin to the Capitol Hill "conferences" that resolve deadlocks between the two houses of the US Congress – with the Commission shut out.

In comparison to the feverish discussions on political union, the IGC on economic and monetary union (Emu) has been more akin to a leisurely academic seminar. Perhaps because of this, the heat has been taken out of the crucial transition question for the UK government: how to sign an Emu treaty without committing itself to a timetable to join in a single currency?

There now seems to be near-consensus on two negative principles, according to one IGC negotiator, in which no country could be compelled by the others into Emu, and no country could defy others in insisting on joining Emu. Were it not, therefore, for approaching UK election fever, Prime Minister John Major's government could feel comfortable.

This is, however, a side-show for the other 11 countries which are still arguing about what economic discipline is needed to bolster a monetary union, and what powers the planned European central bank should have before it starts running a single currency.

Germany has so far played it tough. Will it soften with the weakening fortunes of the D-mark and Mr Kohl? Or will the Chancellor feel he cannot risk further trouble at home by making European compromises? Many in Brussels fear the latter may prove true.

Protesters rally to sacked Slovak PM

TENS of thousands of Slovaks took to the streets yesterday, accusing their parliamentarians of being traitors for sacking the region's populist Prime Minister Vladimir Meciar, Reuter reports from Bratislava.

Supporters of the ousted premier, who was dismissed along with seven of his ministers on Tuesday, whistled and called "We want Meciar" at a rally in Bratislava's main square.

Earlier, others picketed a session of the Slovak National Council (regional parliament). They carried placards accusing the deputies inside of being traitors and some called for a general strike.

Public transport workers staged a token stoppage and traffic in the city was brought to a standstill. Workers in several factories called for strikes and protests also took place in other towns around Slovakia, the state news agency CTK reported.

The all-party presidium, or steering committee, of the Council fired Mr Meciar and brought to a head a six-week-long political crisis which began when he led a breakaway from the ruling Public Against Violence (VPN) movement.

Mr Meciar was replaced by his deputy Mr Jan Carnogursky, chairman of the Christian Democratic Movement, who said the VPN split had led to the isolation of Slovakia both internationally and within the Czechoslovak federation.

Banker tells of fears of $75bn Soviet debt

By Andrew Fisher in *Frankfurt*

SOVIET debt could rise from $65bn to $75bn or more by the end of this year, a worrying rate of increase, says Mr Georg Krupp, Deutsche Bank's director responsible for eastern Europe.

He said banks would now only lend to the Soviet Union against state guarantees, while exporters faced huge practical problems. As a result of decentralisation, they now had to deal with more than 40,000 Soviet companies, compared with 40 central foreign trade organisations previously.

Mr Krupp said the Moscow government's compromise economic reform plan lacked a clear concept of privatisation and contained only half-hearted measures; it was neither market nor plan.

Despite the difficulties, Mr Krupp said the Soviet Union needed western support. The funds to support the move from a planned to a free economy could only be raised by a joint effort of western countries, private banks, and institutions like the World Bank and International Monetary Fund.

He hoped this weekend's Group of Seven meeting would revive the idea of an $18bn Marshall Plan for the Soviet Union. The G7 officials will discuss this, as well as closer links between Moscow and the IMF and World Bank.

He added that west German banks had unsecured loans of DM10bn ($5.9bn) with the Soviet Union, with credits backed by the Hermes export guarantee organisation exceeding DM12bn.

The financing of German exports was now only possible with the backing of Hermes, which would become more selective; Soviet-German trade was likely to drop even further, at least temporarily. He cited estimates of between DM2bn and DM5bn of claims outstanding by German exporters against Soviet importers.

East Germany faces big rise in unemployment

By David Goodhart in Bonn

THE German government is bracing itself for a dramatic increase in east German unemployment in July, when several hundred thousand public servants will lose their jobs and the one year ban on redundancies in the engineering industry ends.

Mr Thomas Geitz, an official at the BDA, one of the main employers' organisations, said that the engineering industry agreement had been reluctantly respected but employers were hoping to shed many workers in July. IG Metall, the industry union, is seeking talks to extend the agreement.

Many engineering workers in east Germany are on government supported short-time working so the effect of ending the no-redundancies agreement will be to transfer many short-time workers (currently about 2m) to the unemployed total (now about 1m).

Most of the several hundred thousand public servants who have been suspended on 70 per cent of their pay since the end of last year will also lose their jobs in July. The public servants worked for organs of the former communist state which have now been dissolved.

Yesterday the German constitutional court in Karlsruhe ruled that the suspension of the workers had not been unconstitutional, except in the case of pregnant women whose suspension contravened their job security arrangements.

- Early signs of upswing in the east German economy were detected yesterday by two economic research institutes, the IFO in Munich and the DIW in west Berlin. The IFO business confidence report said that in February the business climate had improved for the first time since August last year.

DIW said incomes in east Germany rose by a fifth from the middle of 1989 to the end of 1990, reaching about 60 per cent of the west German level.

OBITUARY: KARL KLASEN

Autocrat who bolstered Bundesbank independence

MR Karl Klasen, the former Bundesbank president who died in Hamburg on Monday, a day before his 82nd birthday, was an autocratic Social Democrat who presided over the West German central bank during one of its most turbulent periods.

He joined the Bundesbank when already wealthy after a career in private banking, spending 13 years on the board of the Deutsche Bank from 1957 onwards, the last three as joint chief executive.

At the Bundesbank he took a lordly pride in leaving day-to-day affairs in the hands of subordinates. During his time in office between 1970 and 1977 he bolstered the central bank's reputation for independence. He developed a well-known disdain for colleagues who read the fine print of economic analyses. But through his natural sovereignty and a few well-chosen words, he could exert immediate control over a roomful of bankers.

Mr Klasen's relationship with Mr Otmar Emminger, a peppery and egocentric economist who was his deputy, was cool to the point of frigidity. In contrast to Mr Klasen, Mr Emminger's attention to detail was minute, even extending to occasionally drawing some of the Bundesbank's monetary charts himself.

Mr Klasen formed a close friendship with Mr Helmut Schmidt, the former chancellor,

and Mr Karl Schiller, the legendary economics minister who helped bring Mr Klasen to the top Bundesbank job.

He fell out with Mr Schiller during the crisis over the breakdown of the Bretton Woods currency system. Mr Klasen's refusal to follow Mr Schiller's suggestion of floating the D-Mark in 1972 led to Mr Schiller's resignation.

Even though the government was later forced to bow to the inevitable and revalue the D-Mark, Mr Klasen's stature improved after Mr Schiller's resignation. In 1973 to 1975, in the wake of high pay settlements after the 1973 oil crisis, Mr Klasen surprised many by stepping firmly on the monetary brakes to curb inflation. He earned the reputation of provoking Germany's 1975 recession. But the lesson that the Bundesbank could act tough when the economic going was at its most difficult was not lost on the politicians.

ALL SMILES: Mr John Major yesterday greeting Polish President Lech Walesa at Downing Street. The British Prime Minister assured Mr Walesa of UK support for Poland's political and economic reforms and pledged to encourage investment in the former communist state

Hungarians pass law on compensation

By Nicholas Denton in Budapest

HUNGARY yesterday passed legislation compensating people whose property was confiscated by the communist regime.

The compensation act will give about Ft100bn ($1.35bn) in bonds and land to the estimated 1.5m families who had property nationalised after June 1949.

The decision was greeted with relief that the uncertainty over ownership had been reduced. But few are entirely satisfied by the act's unwieldy compromise between righting the past and encouraging new investment.

Former owners and their direct descendants will have 90 days to make a claim. Then they can get up to Ft5m in financial restitution: bonds which can used to buy into privatisations.

Parliament yesterday rejected giving former owners of shops and flats an automatic first option on their old property.

But peasants will be able to physically take back land whether or not they intend to cultivate it, reflecting the conservative government's dependence on the Smallholder's Party for its parliamentary majority.

The settlement is much narrower than that envisaged in recent Czechoslovak legislation. The cost of Hungarian compensation is a small part of total state property, which was worth Ft6,000bn in 1988.

Brussels crackdown on Italian state aid

By David Gardner in Brussels

THE European Commission has told Italy to explain why it has prolonged an Ecu292m (£200m) aid scheme for the consumer electronics industry, approved by Brussels in 1984-85 for only five years. The move is part of a widening crackdown by the EC on illegal state aid.

The action is intended as much to forestall further aid it believes Rome is planning, as to hold Italy to the agreement.

This put strict time limits on the aid, channelled through the state's Ristrutturazione Elettronica SpA (REL), set up by the Italian industry ministry in 1982 to restructure the sector by taking minority stakes in, and providing soft loans for, consumer electronics manufacturers and components suppliers.

The stakes were supposed to be sold to the private sector after five years; the Commission says state holdings in six companies have not been. Furthermore, Brussels says, three companies in receipt of the subsidised loans have missed their repayments schedule.

This "illegal application" of the agreed aid regime constitutes a distortion of competition, the Commission says, and it has asked Rome for a reply within one month.

Yesterday's decision follows the announcement of four state aid inquiries this month. These are into French plans to pump more than $1bn into Bull, the computer maker, and Thomson, the defence and electronics group; into France's use of its main state enterprises to funnel money into smaller companies in industrially declining areas; into a $230m Italian plan to restructure the road haulage sector; and into Belgium's plans to recapitalise Sabena, its ailing flag airline, to the tune of $1bn. The Commission also intends to investigate France's plans to inject around $400m into Air France.

By contrast, the Commission yesterday approved eight separate state aid schemes allowed by EC law: for research and development and for backward regions in Italy and Spain; for small to medium-sized industry in Italy and for Dutch shipbuilders; and a UK undertaking on future industrial aid to assisted areas.

World Bank approves $120m telecom loan for Poland

By Christopher Bobinski in Warsaw

THE World Bank has approved a $120m loan aimed at improving Poland's inefficient telecommunications system. The loan will help finance the installation of a new digital system including new switches, fibre optic cables and the construction of a satellite ground station to improve international links.

The World Bank is also considering a $300m loan to aid privatisation and industrial restructuring, as well as another $300m loan for heat supply and conservation projects.

A further $500m of loans devoted to developing financial institutions, employment promotion, agriculture and health services are also being considered.

The telecommunications project is primarily aimed at providing an improvement for 70,000 new business subscribers and will be part of Poland's telephone modernisation programme which is set to cost $1.5bn over the next ten years.

Next week PPTT,the country's telecommunications authority, is to announce a shortlist of western companies which are bidding to supply a separate cellular telephone network costing $150m, which should provide 100,000 lines over five years.

The World Bank loan, to be repaid over 17 years, is to be accompanied by an Ecu70m (£48m) loan from the European Investment Bank. The project includes the installation of 12 digital switches and should improve communications between 17 towns as well as calls abroad.

- Poland's Finance Ministry has decided to suspend sales of bonds which gave holders a 20 per cent discount when used to buy shares in privatised companies. The issue was to have run till 1994.

The decision, which will be implemented early next month, comes after a parliamentary declaration in February criticised the scheme for overly favouring investors.

The bonds, with an interest rate index-linked to the monthly inflation rate, have been on sale since December 1989. Zl 196.7bn of the bonds had been sold by the end of February.

EC Council settles row over research

By David Buchan in Brussels

THE EC Council of Ministers yesterday settled a institutional row with other Community bodies and approved Ecu3.83bn (£2.62bn) for ten research projects over the next two and a half years.

The row, which threatened further to delay the EC's already tardy framework programme for 1990-94, was a by-product of the sparring between EC institutions in the negotiations on political union.

The Council had earlier changed five programmes – on marine and life sciences, the environment, communications and electronic data transmission – to the extent that the parliament persuaded the Commission to withdraw them altogether. Pulling these programmes off the table and then resubmitting would have delayed them months.

So,in the end, the EC executive and parliament settled for a few vague and minor changes, such as promises to weigh the socio-economic impact of EC research, which were adopted by EC ministers yesterday and are expected to win parliamentary approval next month.

In addition to these five programmes, ministers also reached basic political agreement on information technology (worth Ecu1.33bn alone), medical research, industrial materials, and non-nuclear energy and the agro-industrial programme.

French trade gap widens

FRANCE'S foreign trade deficit widened slightly in March, according to provisional figures published yesterday, writes Ian Davidson in Paris.

The slowdown in demand in France and abroad led to unchanged levels of exports, while imports increased very slightly. The underlying trend points to a further gentle deterioration ahead.

The seasonally adjusted deficit in March grew to FFr4.7bn (£460m), compared with FFr3.5bn in February and FFr5.7bn in January. The deficit in industrial goods grew to FFr4.5bn, compared with FFr1.9bn in February.

New World Order requires wider and deeper EC

Uffe Ellemann-Jensen sets out Denmark's position before the EC foreign ministers' weekend meeting

THE New Europe in the New World Order: that is the issue which the foreign ministers of the Twelve will discuss at their meeting in Luxembourg this weekend. It is a much more precise description than talking about the establishment of a political union in Europe.

We should not underestimate the magnitude of our job. And for one simple reason: the political and economic landscape in Europe has undergone significant changes.

After the Gulf war it has become clear that the threats to our societies have diversified. We should no longer pay attention to the developments in the Soviet Union only. Crises in the Near and Middle East, mass-migration, world poverty and threats against the environment should be added to the list.

Denmark considers the European Community to be the most important block on which to build our New Europe. It has a true magnetic pull. It is based on law. It is based on sound principles: basically shifting coalitions between member states – which make the national interests converge. Not a small achievement, considering Europe's past.

Denmark's Uffe Ellemann-Jensen

At the inter-governmental conferences (IGC) we now have to sketch out a way towards an economic and monetary union (Emu) and towards a political union. Denmark has tabled proposals which show a way forward. Our goal is to widen and deepen the Community. We want to enlarge it with new member states: the Efta (European Free Trade Association) countries and countries in central and eastern Europe. We also want to strike a balance between growing internationalisation and regionalism. We want to shape a new relationship between the over-regulated society and market forces.

Originally, the European Community was set up in order to promote and enhance French/German reconciliation. The goals were political, the means economic. History forces us to redress the former equation. We have to discuss how to handle the questions of a common foreign and security policy, of the European pillar in the defence of Europe.

In essence, it is necessary to strike a proper balance between the European Community, WEU (Western European Union) and Nato (North Atlantic Treaty Organisation). It is the Danish view that the common foreign and security policy should in principle extend to all aspects where unanimity can be achieved among the member states. Military co-operation proper should be undertaken within existing alliance structures with member states' present defence commitments being honoured. Member states should unanimously establish the common foreign and security policy.

Denmark and the UK share the view that, whatever the outcome of the negotiations, one thing will remain certain: without Nato, European defence arrangements would lack credibility, nor would they inspire confidence in the remaining part of Europe.

The strength of the security glue, which for 40 years has kept western Europe together, is being reduced. That is why we consider it a major goal to avoid a re-nationalisation of defence policies in the new European Architecture.

Europe's voice in the New World Order should be strengthened – economically, politically and defence-wise. If we fail and leave a disproportion between Europe's economic strength and its political resourcefulness, we would also leave a Europe on dangerous tracks.

The days are gone when it really made sense to talk about autonomy and sovereignty. The issue before us is about pooling resources. By strengthening international co-operation you necessarily limit your room for manoeuvre – but also for making mistakes. To drive my point home: an economic and monetary union makes it impossible for a member state to pursue a high inflationary policy coupled with successive devaluations.

We consider Emu a necessity. To some extent it is a natural consequence of the liberalisation of capital movements. We want to go ahead with the project after sufficient economic convergence has taken place, primarily because you can reap all the benefits only in the third phase. Second, because we want to have a say in the decisions which, in any case, set the framework for our own national policies.

What does Europe really need then? We need the right blend of visions and ideas – of prudence and pragmatism. Ideas should be far-reaching, but not out of step with reality. Otherwise they could backfire and create a credibility problem.

It may seem odd to hear such words from a Danish foreign minister. After all, we have for some years been seen as footdraggers in the Community. But we have reversed our policy. I admit it without hesitation. We have learned some lessons, and we consider it imperative to strengthen the Community in order to create our New Europe in the New World Order.

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WORLD TRADE NEWS

Credibility of Gatt disputes system at risk

By Peter Montagnon, World Trade Editor

WORRIES are growing in Gatt that the credibility of its dispute settlement system may be undermined by the number of findings left unimplemented by the delay in completing the Uruguay Round of trade talks.

Mr Lars Anell, who heads Gatt's governing council, said yesterday he was starting talks with parties involved to find a way out of the problem.

Resolution of the five long-standing disputes affected hinges on outcome of the Round.

Adding to trade diplomats' worries is the fact they all involve leading trade powers whose behaviour sets the tone for the trading system as a whole.

They include findings against the US that its patent law discriminates against foreign companies, and that its countervailing duties on Canadian pork are Gatt-illegal.

The EC has failed to implement two findings – against its rules on circumvention of anti-dumping and subsidies to oilseed crushers.

Japan has failed to liberalise dairy-product and starch imports.

All, except the anti-dumping circumvention case, were raised by parties concerned in the Gatt Council yesterday, when the US declined for the fifth time to agree to adoption of the Canadian pork finding.

Japan said it was raising the question of US patent law, because it understood a new investigation had been started against one of its companies under Section 337.

No immediate solution has been found, and the view is growing that action must be taken.

Mr Anell told the council the threat to Gatt's credibility was serious.

South Korean trade plans fail to impress

SOUTH KOREA met a frosty reception from its fellow-Gatt members yesterday when it launched a programme to liberalise trade in a further 133 products, mostly agricultural, as part of a phased move to unwind curbs allowed to developing countries with balance-of-payments problems.

Mr Lee Bong-suh, minister for agriculture, said that South Korea would give more priority to expanding world commerce than to protecting its farmers in revived global trade talks.

South Korea was blamed as one of the culprits when the multilateral Gatt talks collapsed on the question of farm subsidies last December, but in renewed talks "you will notice that Korea's position ... even in the agriculture sector will have changed considerably," Mr Lee said.

Mr Young Woo Park, Seoul's deputy ambassador to Gatt, said his government faced opposition from farmers to the liberalisation.

The US joined other countries including Canada, the EC and New Zealand in calling the offer disappointing.

Mr Lee said he intended to pledge cooperation toward a successful conclusion of the Uruguay Round, in meetings with Ambassador Carla Hills, the US trade representative.

Besides the Uruguay Round, they also discussed trade issues involving the sale of US cigarettes, current negotiations involving South Korean shipbuilding, and South Korea's recent austerity campaign, which has drawn US accusations of import exclusion.

South Korea, which returned to current-account deficit last year for the first time since the mid-1980s, has resisted attempts to open its farm imports in the Round.

Caricom slow to put common into market

Agreed uniform external tariffs look like being held up a year, writes Canute James

THE EFFORTS of the Caribbean Economic Community (Caricom) to create a customs union are being set back by reservations by some member governments over the impact of a new common external tariff.

The new tariff should have been implemented by all 13 members at the start of this year. In the event, several were unable to meet the deadline, with trade ministers saying they were concerned about the impact on national economies.

Government officials and representatives of the Community's secretariat appear confident that the common tariff will be in place by the end of this year. They suggested that, despite the delay, the implementation of the common tariff would be significant for the Community, not least because it was written into the treaty establishing Caricom 18 years ago.

While the Community is moving with equal uncertainty towards the reduction of barriers to trade among its members – the aim is to have a common market in place by 1993 and monetary union the following year – the level of success with which the common external tariff is implemented could determine the viability of any attempt to increase economic integration.

Efforts at integration have been bedevilled by parochial concerns and the tendency of some governments to implement significant changes in economic policy without consulting partners.

"We have to get our act together in view of what is happening in Europe and other parts of the world," said Mr John Compton, prime minister of St Lucia. "All of these things show we must have a common market, and we must have the common external tariff."

The community is made up of the English-speaking countries in the region, including Belize in central America and Guyana in South America. It has a combined market of 5.5m people. All members, except the Bahamas which is not a signatory of the trading agreements, have said they will implement the common tariff.

The proposed tariff structure promises low rates of duty on imports which do not compete with goods produced within the community, but sets high rates on any imports likely to injure domestic industry. Under the new tariff the highest rate of duty will be 45 per cent and the lowest 5 per cent. This replaces a structure where tariffs range from 5 per cent to 70 per cent.

The new measures will streamline the three different tariff structures used in the community. Rates will differ where imports are raw materials or finished products, and agricultural products will be given protection while inputs for agriculture will be subject to low tariffs.

St Lucia's Compton: 'We must get our act together.'

"There is need for the common external tariff to stimulate production in the community," said Mr Hayden Blades, director of trade and agriculture for the Community secretariat.

"But the tariff structure must not encourage inefficient production. The tariffs have to be set at levels which will allow regional industry to be competitive," he said.

In effect, however, most of the smaller Community members, in particular the smaller islands of the eastern Caribbean, and Belize on mainland central America, will have to raise their import duties, while the more developed countries (Jamaica, Trinidad and Tobago, Barbados and Guyana) will be lowering theirs.

This has led some government officials in the smaller states to be concerned about the inflationary impact of the common tariff.

Mr Charles Maynard, trade minister of Dominica, says the the new arrangements will have to be constantly monitored to determine the impact on the cost of living "so we can decide, at the level of the Community's Ministerial Council whether we need to revise it upwards of downwards".

Several governments have become dependent on revenues from import duties, and have moved to cushion the expected loss of income with the lowering of tariffs. The Jamaican government has imposed a sales tax on some imports on which duties have been reduced.

The new tariff offers greater protection to the fledgling industries of the smaller community members, while presenting increased competition to businesses in the larger countries. The community's industrial sector is based on light manufacturing and the assembly and re-export of consumer durables.

The changes caused by the new arrangements have unsettled some manufacturers. Mr Anthony Robinson, president of the Jamaica Manufacturers Association, has complained that the implementation of the common external tariff has exacerbated differences in the level of competitiveness among the Caribbean Community members.

Mr Robinson said Jamaican manufacturers may be forced to close or reduce operations because "... our Community competitors pay no duty on raw materials, and having made the products, ship them here at between 14 per cent and 21 per cent less than it costs Jamaican manufacturers to ship products to other parts of the Community."

Mr Compton argued that the Caribbean Community has no option but to implement measures such as the common external tariff. "It will take some sacrifice, there might be short-term adjustments and we must be prepared to bear these sacrifices if the Caribbean is to adjust itself economically to meet the challenges of the outside world."

Statoil gives out North Sea contracts

By Karen Fossli in Amsterdam

STATOIL, Norway's state oil company, yesterday announced the award of NKr1.4bn-worth ($215m) of contracts for two satellite structures to the Statfjord oilfield.

The Statfjord North and East satellite contracts are to be developed with underwater equipment installations and the contract is the biggest awarded this year in the North Sea for this type of equipment.

Kongsberg Offshore will make and test six underwater templates and associated equipment.

British FMC UK will supply wellheads, the main production equipment, in a subcontract worth NKr250m.

The templates, on which the wellheads rest, will be made at Kaldnes de Groot, a Norwegian yard, in a subcontract worth NKr310m.

The control lines between the underwater equipment installations and the existing Statfjord C platform will be supplied by Alcatel STK, in a subcontract worth NKr190m.

The Statfjord North satellite will come on stream in April 1994 and the East satellite will follow in October. Between them the two fields will produce some 300m barrels of crude oil.

● Kvaerner Masa Yards in Finland, a member of the big Norwegian Kvaerner group, was awarded a $300m contract by Miami-based Carnival Cruise Lines to build a 70,000-tonne cruise ship.

The announcement was made last night by Mr Ted Arison, the president of Carnival Cruise, during a ceremony in which he took delivery of the M/S Ecstasy, the second of three ships built by Masa Yards for Carnival.

The Ecstasy has a capacity for 2,600 people and will be operated out of Miami like the new building to be called, M/S Sensation, which is due for delivery in 1993.

The contract expands Masa Yards order book to NKr7bn and helps secure the future of the Helsinki New Shipyard, a member of Kvaerner Masa Yards.

Dutch group in Korean venture

DSM, the Dutch chemicals group, and two South Korean companies plan to build a $200m (£117m) plant in South Korea to make caprolactum, the raw material for nylon, Ronald van de Krol reports from Amsterdam.

The Korean companies, Kolon Industries and Nahmae Chemical, will hold a combined 50 per cent stake in the joint venture, with DSM owning the rest. The venture, Hanhwa Lactam, will be based in South Korea's Yeochun region.

Commercial output is due to begin in 1994, with an initial annual capacity of 70,000 tonnes, doubling to 140,000 tonnes. Korean companies used about 240,000 tonnes of caprolactum last year. At present, two-thirds of the country's caprolactum is imported from Japan and Europe.

Tokyo and US split on pact wording

By Robert Thomson in Tokyo

TOKYO has agreed that a 20 per cent target figure can be included in a new pact with the US on its foreign semiconductor market share in Japan, but the two countries were divided last night over final wording of the agreement.

Japanese officials suggested they had made a significant concession in accepting the figure, although it has been clear that the US would not conclude the negotiations unless a target was set.

The two countries have argued for five years over whether a target figure was set for the first semiconductor agreement, which began in 1986 and will expire at the end of July, with Washington insisting that the commitment was contained in a side-letter and Tokyo arguing that no such commitment was made.

Japanese officials want the 20 per cent to be seen as a general goal rather than a specific target, and are aiming for a final wording of the agreement to be vague enough for it not to be a precedent for market share targets in other trade areas.

The foreign-market share in Japan at the end of last year was 13.2 per cent and, under the US interpretation of the present agreement, was supposed to be 20 per cent in July, a target that is now out of reach.

The latest round of negotiations for a new pact began here on Tuesday and continued late last night. While there were hopes that the agreement would be settled, officials of Japan's Ministry of International Trade and the office of the US Trade Representative are likely to have to meet again.

Other important issues have been Japan's insistence that sanctions imposed under the present agreement be lifted, and the choice of a measurement standard for the market share. Japanese officials have argued that Japanese companies are making efforts to increase their use of foreign chips and these efforts should be recognised in the new agreement.

● The Export-Import Bank of Japan announced yesterday the signing of a loan agreement for a buyer credit to the Philippines to cover the purchase of geothermal-power-plant equipment from Japan, AP reports from Tokyo.

The Ex-Im Bank signed the agreement with the National Power Corporation of the Republic of the Philippines for a buyer credit not to exceed Y2.25bn ($16m).

The proceeds will be used to purchase Japanese goods and services required for a mechanical gas extraction system to be added to the 330-megawatt Tiwi geothermal power plant complex on the southern end of Luzon Island.

The project is designed to help alleviate the electricity shortage in the Philippines, the Ex-Im Bank said.

It added that the addition of the mechanical gas extraction system to the power plant will raise the efficiency of operations conserving that part of the power generating steam currently used to remove air contaminants.

Bonn and Tokyo accept forces can serve abroad

By Stefan Wagstyl in Tokyo and David Goodhart in Bonn

JAPAN and Germany yesterday both took significant steps in relaxing the way their post-Second World War constitutions are interpreted, allowing their defence forces to play a role in the Gulf.

The German cabinet yesterday agreed to send 300 Bundeswehr soldiers to Iran to build a camp for Kurdish refugees. This eased restrictions on the operation of German troops outside the Nato area: such deployments had been considered politically unacceptable, although it has never been clear whether they are banned by the constitution.

Japan meanwhile formally approved the despatch of minesweepers to the Gulf and the grant of $100m (£58m) to help Kurdish refugees. The moves could signal a new willingness by Japan to contribute to world affairs following international criticism of its passiveness during the Gulf war.

The despatch of six ships is the first time since 1945 that Japanese troops have been sent on active service overseas. But Mr Toshiki Kaifu, the Japanese prime minister, said in a rare televised press conference last night that the move would not set a precedent. He insisted Japan remained wedded to its peace constitution.

He urged the government's critics at home and overseas to show their support – an appeal aimed particularly at China, which has expressed concern that the mission might set a dangerous precedent.

Mr Kaifu spelt out reasons why Japan felt it was now right to send minesweepers after the government had rejected the idea in 1987 and again last year. First, since the Gulf war was finished, there was little risk of Japanese servicemen being drawn into combat.

Next, minesweeping was different from other kinds of military duty so no dangerous precedents would be set; then, the safety of ships, including oil tankers bound for Japan, had to be secured; also, the Gulf states needed the mines cleared before they could rebuild their economies; finally, Japan had to make a bigger contribution to the world.

Mr Kaifu said: "It is not right for Japan to stay aloof from the rest of the world."

Germany's decision to send troops to Iran, following talks with the Iranian government, comes soon after its own decision to send minesweepers to the Gulf. Although both operations are described as exceptional, with the action in Iran labelled as "humanitarian" rather military, they indicate a significant redefinition of what had previously been thought possible.

Chancellor Helmut Kohl has promised to revise existing restrictions before the end of the year.

US troops in occupied southern Iraq talking to a single UN soldier after handing over the first of their positions to UN military observers north of Safwan yesterday.

Allies urge speed in UN take-over of Kurdish camps

By Robert Mauthner in London and Mark Nicholson in Safwan, southern Iraq

THE US, Britain and France are due to urge Mr Javier Perez de Cuellar, the United Nations Secretary-General, to speed up preparations for a UN takeover of Kurdish refugee camps in northern Iraq.

The allies feel that, while the UN has done a great deal of paper work on relieving the plight of the Kurds, it has been slow in putting its plans into effect. They consider that it is high time for the UN to start co-ordinating its efforts on the ground with the allies' operations to create safe havens.

Prince Sadruddin Aga Khan, UN delegate in charge of the refugee programme, told Mr Douglas Hogg, junior British Foreign Office minister, in Geneva last Tuesday that the UN had no objection to taking over the camps, according to British officials.

At the same time, it is clear the international organisation is not prepared to take over the allied military operation in northern Iraq because it feels that UN resolution 688 does not give it the authority to do so.

US forces in occupied southern Iraq yesterday handed over the first of their positions to UN military observers in a simple flag-changing ceremony at an outpost north of Safwan.

However, the remarks of the US officer at the transfer seemed to add to the confusion about the timing and role of any full UN presence in the area. Col Bill Nash of the US 1st Army said tersely: "we will continue to protect the refugees," appearing to confirm the UN reluctance to play a military role.

Meanwhile, Iraq moved hundreds more armed men into the northern Iraqi town of Zakho, and the US and its allies did the same. Residents said that 500 to 700 uniformed Iraqis had arrived to join an advance party which drove in by bus on Sunday, and which was described by the Iraqis as consisting of armed "police".

The US and Britain have demanded the withdrawal of Iraqi forces from the area but a US military spokesman denied statements by British military and diplomatic sources that the allies had given Iraq 48 hours to pull its forces out of Zakho.

Israelis remanded in Cyprus

By Andreas Hadjipapas in Nicosia

FOUR Israelis, two men and two women, arrested on suspicion of tampering with a telephone junction box serving the Iranian embassy were remanded in custody for eight days by a Nicosia court yesterday.

There were no formal charges but a police officer told the court they were investigating conspiracy to commit a felony, possession of burglary tools by night, fraudulent appropriation of power (meaning the electric current in a telephone) and violation of a prohibitive order.

The two men, Debi Dave, 40 and Faf Souf 33, and the two women, Anna Dolgin and Amit Litvin, both 28, looked quite relaxed as they were brought to court in handcuffs.

Police said the four had arrived in Cyprus on Sunday and were due to leave tomorrow, Friday. The two couples were staying in two luxury hotels in the coastal town of Limassol.

The four Israelis were apprehended late on Tuesday night when police making a routine security check on the building housing the Iranian Embassy (which adjoins a central Nicosia police station) found them "interfering" with the telephone junction at the entrance to the building.

They allegedly had with them burglary tools that included a pair of pliers, a tiny torch, a screwdriver, a battery-operated welding tool used for fixing cables and several cables with connectors. They told police they were "looking for a toilet".

The four suspects appeared in court without a lawyer and one of them, Dave, said they did not accept the facts presented by the police.

Legal sources say there is no specific law in Cyprus against telephone tapping.

An Israeli embassy official met the four suspects before yesterday's hearing.

The Iranian embassy in Nicosia, set up two years ago, is headed by a charge d'affaires and has about 10 staff.

Iranian diplomats have said they plan to expand. But, unlike some foreign missions on Cyprus, the embassy is not a major Middle East listening post.

It occupies the top three floors of a five-storey office building next to a police station on Santa Rosa Street.

US airlines blame war for $4bn losses

THE US airline industry lost $4bn (£2.3bn) as a result of the Gulf war and needs a reduction in taxes to restore its financial health, the Air Transport Association of America (ATA) said, Reuter reports from New York.

The trade association for US airlines said American carriers battling recession, higher fuel prices and reduced demand for air travel brought on by the war "suffered their worst financial period ever".

ATA said the airlines had lost the $4bn in the period from August 2 when Iraq invaded Kuwait to March 31.

"The government must take steps swiftly to ease excessive taxes and fees on air travel which, with recent increases, amount to more than $6bn annually and to protect the industry from future raids on its revenue," ATA said at a news conference with the International Air Transport Association (IATA), which represents airlines worldwide.

IATA said its members had lost $2bn in the first two months of 1991. "Traffic since the fighting stopped has not come back to pre-war levels despite our hopes," IATA said.

IATA said a survey of business travellers had found that 32 per cent had reduced their international air travel during the Gulf war. It said that 80 per cent of those surveyed cited company travel policy as a factor for the cutbacks.

The survey also found that 80 per cent believed the airlines were doing as much as possible about security.

Meeting angers other opposition groups

Kurdish leaders meet Saddam

By Victor Mallet, Middle East Correspondent

PRESIDENT Saddam Hussein of Iraq held talks yesterday with Kurdish guerrilla leaders who want internationally-guaranteed autonomy from Baghdad and the safe return of Kurdish refugees to their homes.

Iraqi government officials have been negotiating with the Kurds since last Friday, but the state-run Iraqi media mentioned the discussions for the first time yesterday.

Kurdish organisations have expressed optimism that President Saddam will make concessions to the Kurds, although many Kurds hate and distrust him and some non-Kurdish opposition groups are angry about the negotiations.

President Saddam met Mr Jalal Talabani, leader of the Patriotic Union of Kurdistan, and representatives of other Kurdish parties, the Iraqi news agency said.

"The meeting means there was agreement on the basic points and that a breakthrough was achieved in the talks," a Kurdish official in Damascus was quoted as saying.

Both sides need a deal. President Saddam's army is weakened by the Gulf war and he could not use chemical weapons against the Kurds without incurring the wrath of the international community.

The Kurdish guerrillas are still a force to be reckoned with in the mountains, but they are fighting for an empty political cause if nearly 2m Kurdish refugees – half the Kurds of Iraq – do not return home from the borders of Iran and Turkey.

It remains to be seen if Mr Saddam will accept Kurdish demands for a genuinely autonomous region within a democratic Iraq, for control over oil revenue from Kurdish areas, and for international guarantees to bolster any agreement.

A loose ceasefire is in force in the Kurdish areas of northern Iraq, but Shia Moslem rebels in the south continue to announce guerrilla attacks on government targets.

The Voice of the Iraqi Opposition radio station recently described Mr Talabani's discussions with the government as "a stab in the back for all the Iraqis".

PLO moderates win test of wills

By Tony Walker

PALESTINE Liberation Organisation moderates have prevailed over the organisation's radicals in a test of wills at a three-day conference in Tunis called to review the latest US Middle East peace moves.

Mr Nabil Shaath, a senior adviser to the Mr Yassir Arafat, the PLO chairman, said the organisation should not rule itself out of the game by opposing the US initiative. "We should listen to what is being offered," he declared.

Militants, including Mr George Habash of the Popular Front for the Liberation of Palestine (PFLP), had demanded the rejection of the US initiative so long as Washington refused to deal directly with the PLO.

The PLO insists that it retain the right to name Palestinian representatives at a proposed regional peace conference. Israel rejects contacts with the PLO, which it says is a terrorist organisation.

● Mr Arafat and Mr Roland Dumas, the French foreign minister, have called for Europe to play a leading role in Middle East peace talks.

In separate interviews broadcast yesterday after meeting in Libya on Monday, both said European involvement would improve prospects for peace. "I wish Europe to be part of this conference. Mr Arafat agrees. Palestinians want it. Arab countries wish it. Americans agree. Israelis need to be persuaded," Mr Dumas told French radio.

ANC leader uses meeting with Major to challenge UK position

Mandela seeks more sanctions pressure

By Michael Holman, Africa Editor

MR Nelson Mandela, deputy president of the African National Congress (ANC), was expected to call for continued sanctions against South Africa during his first meeting with Mr John Major, the British prime minister.

Mr Mandela, who arrived in London shortly after President FW de Klerk left for Denmark on the second leg of his three-nation European visit, believes that Pretoria must be kept under pressure during negotiations for a post-apartheid South Africa.

The British position is unlikely to change. It advocates the lifting of all sanctions except the arms embargo, as well as the resumption of sporting links, when Mr de Klerk fulfils his pledge to repeal the remaining apartheid laws by the end of June.

In Denmark, Mr de Klerk is attempting to persuade parliamentarians to back the European Community's recent decision in principle to lift the embargo on imports of South African iron, steel and gold coins.

The minority Conservative government led by Mr Minister Poul Schlueter, who was due to meet Mr de Klerk, is unable to enact Community policy without the approval of the Danish parliament.

Conservatives argue that Pretoria should be rewarded for its reforms, but opposition parties in parliament's Market Affairs Committee, led by the Social Democrats, won a vote to maintain sanctions against South Africa.

In theory, Denmark can exercise an effective veto over implementation of the Community decision to lift sanctions. But Community officials suggested yesterday that in practice continued Danish opposition would do no more than cause a delay.

President de Klerk yesterday held talks with two opposition leaders, Mr Svend Auken, chairman of the Social Democrats, the largest parliamentary party, and Mr Niels Helweg Petersen and Mr Joergen Estrup of the Radical Party.

Afterwards Mr Petersen said that parliament would review the sanctions stance at the end of June.

Curfew after Nigerian riots

THE Nigerian authorities have moved swiftly to crack down on some of the worst Christian-Moslem violence in a decade, which they fear could threaten a planned return to civilian rule, Reuter reports from Lagos.

A curfew was imposed in Bauchi state after more than 80 people were reported killed and up to 12 Christian churches burned in violence blamed on Shia Moslems seeking imposition of Islamic law.

The authorities are concerned that violence could spread to other northern states, further polarising the north and south and threatening plans to install elected civilian leaders in 1992.

Australian pay conflict looms

By Kevin Brown in Sydney

AUSTRALIAN trade unions moved towards open conflict with the centralised wage fixing system yesterday after a key committee rejected a 2.5 per cent pay award by the Industrial Relations Commission, a national labour court.

Under Australian law, the commission has the power to prevent employers agreeing to increase wages by more than the award unless they seek exemption as a special case. However, the award conflicts with a separate wages agreement between the Australian Council of Trade Unions (Actu) and the federal Labor government, known as the Accord.

The Actu's wages committee said the award was unworkable, and said it would ask a conference next Wednesday to approve industrial action in defence of the Accord. If the conference agrees, the unions will campaign for payment of the latest stage, which includes a A$12 (£5.40) a week pay rise from May 16, a 3 per cent increase in employers' pension contributions, and provisions for further productivity negotiations at company level.

Mr Martin Ferguson, Actu president, said that "if we as a union movement sought to implement it [the award], it would be rejected out of hand by Australian wage and salary earners," he said.

The federal government also said it opposed the award, and would honour the Accord for public sector workers and employees of government-owned businesses, such as railways and airlines.

The response to the Industrial Relations Commission award is likely to accelerate moves towards the replacement of the centralised labour system by company-level collective bargaining, which has the support of government, trade unions and employers. However, employers could face short-term industrial unrest if the unions go ahead with a campaign for an illegal breach of the commission's award.

India to hold polls in two 'rebel' states

By K.K. Sharma in New Delhi

INDIA'S caretaker government and the country's election commission decided yesterday to go ahead with national and state elections in turbulent Punjab and Assam, in spite of vigorous protests from the big political parties.

The only concession that was announced was that polling in the two states will not be held at the same time as in the rest of the country, which goes to the polls to elect a new parliament and five other state legislatures from May 20 to 26.

Punjab and Assam have long been in the grip of violent insurgencies by secessionist groups. Although militants in Assam have announced they will give up violence during the election, daily killings continue unabated in Punjab, where a number of Sikh groups are backing the demand for an independent nation they call Khalistan.

After hearing protests from a delegation made up by four parties – the Congress party, the Hindu revivalist Bharatiya JanataParty (BJP) and the two Communist parties – Mr T.N. Seshan, chief election commissioner, announced that polling in Punjab will be held on June 22 and in Assam on June 6 and 8.

The decision by Mr Chandra Shekhar, the caretaker prime minister, that elections will be held in all states with the exception of Jammu and Kashmir, where secessionist groups have also launched a movement, has been strongly opposed by the main political parties.

Most Delhi politicians fear that fair and free elections are not possible in Punjab because of intimidation by the militants. Mr Rajiv Gandhi of the Congress party recently said that if a state legislature controlled by the militants emerged from the elections, an unstable government in New Delhi would not be able to tackle a demand for independence by them.

Most of the parties have threatened to boycott the Punjab elections. However, since their demand for the uncoupling of the Punjab poll from elections in the rest of the country has been partly met, it is possible they will revise their decision.

Unlike the militants, however, they have very little time to choose their candidates since the process of nominations has already started and ends tomorrow.

Japan brings in land tax to curb prices

JAPAN yesterday enacted a national land tax aimed at curbing high land prices, but property analysts said its impact would be minimal at best, Agencies report from Tokyo.

The new tax will be set at an annual 0.2 per cent of the assessed value of land starting from January 1, 1992, and raised to 0.3 per cent the following year. It will be reviewed after three years.

● Despite an 11.2 per cent rise in Japan's manufactured goods imports in 1990, their proportion of the country's overall imports remained unchanged at 50.3 per cent, after surging 15.5 per cent the year before, the Japan External Trade Organisation (Jetro) reported yesterday.

The loss of momentum in the growth of manufactured goods as a proportion of overall imports was due to the sharp rise in the value of crude oil imports following the Iraqi invasion of Kuwait.

Angolan progress

Angola's President Jose Eduardo dos Santos said yesterday that he had accepted a proposal by Portugal for a ceasefire in the Angolan civil war next month, followed by multi-party elections before November 1992, Reuter reports from Lisbon. He was addressing the start of an extraordinary congress of the ruling MPLA in Luanda, relayed on Portuguese radio.

Pollution costs job

The chairman of South Korea's Doosan group, Mr Park Yong-kon, resigned yesterday after a subsidiary, Doosan Electro-Materials, admitted polluting water supplies in the city of Taegu for the second time in a month, Reuter reports from Seoul.

Burmese change

Burma's opposition has given in to army pressure to replace dissident Aung San Suu Kyi as leader, but will feel only symbolic loss as she has been under house arrest for nearly two years, diplomats said yesterday, Reuter reports from Bangkok.

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India to hold polls in two 'rebel' states

Japan brings in land tax to curb prices

IMF World Economic Outlook

Developing economies will continue to decline

By Stephen Fidler, Euromarkets Correspondent

THE developing economies of eastern Europe, Latin America and the Middle East contracted last year, and the decline is expected to continue this year in eastern Europe and the Middle East, according to the International Monetary Fund.

Its World Economic Outlook suggests overall growth in gross domestic product in developing countries fell to 0.6 per cent last year, from 3.1 per cent in 1989. It is projected at 0.8 per cent this year, rising to 3.4 per cent next year.

The IMF estimates the debt of all developing countries rose nearly 6 per cent in 1990 to $1,306bn. New borrowing of $50bn and valuation changes due to the dollar's fall ($51bn) more than offset the fall in debt ($29bn) due to various operations to reduce the debt of developing countries.

The amount of debt owed by problem debtor countries to commercial banks is set to fall to $257bn in 1992, from $311bn in 1990, reflecting both debt reduction deals and net repayments. By 1992, the share of official debt to these countries will have grown to 52 per cent in 1992 from 47 per cent in 1990. Debt reduction operations will contribute to a big drop in debt-GDP ratios in problem debtor countries. Among 15 heavily indebted countries, this ratio will fall 7¼ percentage points to 30 per cent in 1992.

● The Middle East: Output is estimated to have shrunk by 1.5 per cent last year, reflecting the sharp contraction of the economies of Kuwait, Iraq and Jordan. Total regional output is estimated to decline by a further 3.3 per cent this year, before recovering in 1992 when 8.5 per cent growth is expected, mainly because of reconstruction in Kuwait and Iraq.

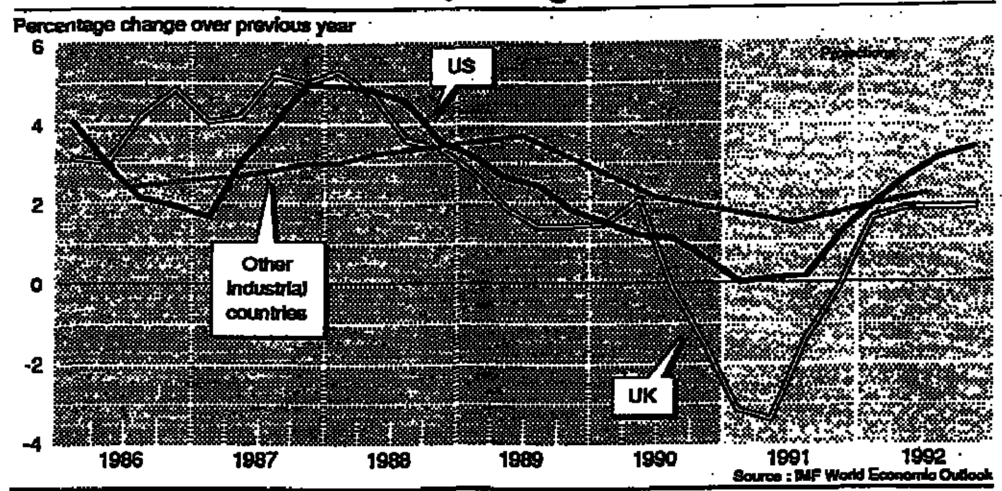
The combined balance of payments surplus of the Middle East countries is estimated to have shifted from near balance in 1989 to a surplus of $14bn last year, mainly because of the rise in oil prices. It will shift dramatically to deficit of $50bn this year and $25bn next, mainly because of economic reconstruction costs.

● Latin America: Output declined by 1 per cent last year, compared with a modest 1.5 per cent rise the year before. Some of the decline was due to transitional economic adjustments, rather than destabilising macroeconomic policies – the primary factor in previous years. If significant delays or slippages in reform programmes are avoided, growth should resume this year, at about 1 per cent, and reach 3.3 per cent next year.

● Asia: Growth slipped to 5.3 per cent last year in Asian developing economies, from 5.5 per cent in 1989. It is expected to remain about 5 per cent this year and next – three percentage points below the average growth rate for 1983-89. The Gulf war cost the oil-importing debtor countries of the region almost ½ per cent of GDP last year, with the countries hurt by a loss of remittances.

● Africa: The rise in the price of oil and a drop in the price of other commodities depressed growth in Africa in 1990. Gross domestic product growth should be little changed at about 2 per cent this year but pick up to 4.8 per cent in 1992. Little progress, though, is seen at alleviating poverty, and GDP levels per capita are expected to remain at the level of 20 years ago.

Industrial countries : GDP / GNP growth



Source : IMF World Economic Outlook

Industrial states urged to increase savings

By Peter Norman, Economics Correspondent

THE world's industrial countries will have to gear their fiscal policies to increasing national savings, if they are to achieve sustained growth and a lasting decline in real interest rates, the IMF warned yesterday.

In its latest World Economic Outlook, the fund singled out the US, Germany and Italy as nations where additional measures to curb budget deficits could be required.

Looking ahead to the mid-1990s, the IMF said that tougher fiscal policies in the three countries could help boost industrial country growth and investment, and world economic activity as a whole. Mr Jacob Frenkel, IMF research department director, told a news conference that it was important that government claims on savings be cut because of the increased investment demand resulting from the Gulf war and economic restructuring in eastern Europe.

In one scenario, the IMF calculated the possible impact of the US eliminating its federal budget deficit by 1995; Italy cutting its state sector deficit of more than 10 per cent to about 6.5 per cent of gross domestic product by 1993; and Germany increasing government saving by about 1 per cent of gross national product between now and 1996.

By 1996, the real capital stock in the industrial countries would be 1.25 per cent higher than it would have been in the absence of fiscal action, and the level of actual and potential output would be almost 0.5 percentage points higher. But the nations would not necessarily have to work in concert to help the world economy, it said.

"Actions in one country to reduce their use of world saving and strengthen their public finances would have important benefits for the world economy," the IMF said.

In the near term, the report said that prospects for global economic growth had clearly deteriorated since its last Economic Outlook in October last year.

The economic position of the industrial world was characterised by sharply different cyclical positions among the major countries. At the same time, the prospects for inflation had worsened.

It was acknowledged in the report that important questions are being asked about what economic policies should be pursued, in the light of economic weakness in some countries, the aftermath of the Gulf war, the fluctuations of the dollar and worries about financial fragility in several countries.

But it stressed that these concerns "should not overshadow the overriding importance of achieving sustained growth over the longer term."

This would require continued reliance on monetary policies to combat inflation, pushing ahead with structural policies including liberalisation of international trade, plus encouragement of savings.

The report warned countries against using monetary policy to alter the present exchange rates relationships between the US, Germany and Japan. It also said they should not change macro-economic policies to deal with fragile financial systems.

The IMF said the Gulf war and reconstruction in the Middle East would involve the world in a substantial net budgetary cost. It said last year's temporary rise in oil prices and developments in the Middle East raised industrial country consumer prices by about 0.5 per cent last year and cut real gross national product by about 0.25 per cent or $25bn.

Stephen Fidler adds: Measures to improve savings in developing countries are necessary to promote growth but are not sufficient by themselves, the report said.

Converting higher savings into effective domestic investment also requires stable policies at a macroeconomic level.

The experience of east Europe - where high investment rates were not converted into strong economic performance - shows that conditions must also be in place to make sure investment is effectively utilised.

"If the environment for investment in domestic assets is not favourable, action to raise domestic saving could turn out to be deflationary or simply promote capital flight," the Outlook said. "Conversely, measures to boost investment will not succeed if the required financing is not available."

Lesser shrinkage forecast for east Europe

By Stephen Fidler in Washington

THE ECONOMIES of eastern Europe shrank by almost 9 per cent last year, according to International Monetary Fund estimates.

The fund's World Economic Outlook forecasts that real gross domestic product will fall again this year, but more modestly: by 1.5 per cent against 8.6 per cent in 1990.

Growth in the region – Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia – should then resume as the private sector expands and efficiency continues to improve. Growth is estimated at a 2.8 per cent rate in 1992 and an average 4.4 per cent from 1993-96.

If the Soviet Union is included, the regional economy shrank 3.8 per cent this year.

It is forecast to decline 4.2 per cent this year and 2.1 per cent next. Growth will average 1.2 per cent from 1993-96.

According to IMF staff projections, the combined current account deficit of the region, excluding the Soviet Union, will rise to about $10bn this year and $11bn next.

This will reflect the widening of external deficits with the traditional convertible currency area and deteriorating trade balances with the Soviet Union, with which they now trade in hard currency.

HIGHLIGHTS OF IMF ECONOMIC PROJECTIONS

Output (real GDP) annual % change	1990	1991	1992
World	2.1	1.2	2.9
Industrial countries	2.5	1.3	2.8
Developing countries	0.6	0.8	3.4
US	1.0	0.2	2.7
Japan	5.6	3.6	3.9
W Germany	4.5	2.8	1.9
UK	0.6	−2.1	1.9
E. Europe and Soviet Union	−3.8	−4.1	−2.2
Consumer prices (% change)			
Industrial Countries	4.9	4.8	3.9
Developing Countries	117.7	40.9	18.0
US	5.3	4.9	4.0
Japan	3.1	4.0	3.2
W Germany	2.7	3.5	3.2
UK	9.5	6.0	3.9
E. Europe and Soviet Union	34.1	45.6	18.2
Current account payments balances ($bn)			
Industrial Countries	−110.7	−68.5	−107.6
Developing Countries	−29.0	−100.2	−74.6
US	−99.3	−37.8	−98.5
Japan	35.7	42.0	58.0
Germany*	44.5	9.8	24.4
UK	−22.8	−15.6	−19.9
Unemployment rates (%)			
Industrial countries	6.2	6.8	6.8
US	5.5	6.4	5.8
Japan	2.1	2.1	2.1
W Germany	6.4	6.2	6.4
UK	6.0	7.5	8.5
World Trade (% annual change)			
Volume	3.9	2.4	5.5

Note: *United Germany from June 1990. Source: IMF World Economic Outlook, April 1991.

Congress prepares to act on federal bank insurance

By Peter Riddell, US Editor, in Washington

US CONGRESSIONAL leaders are preparing urgent action to bolster the federal bank insurance fund which protects depositors. This follows estimates by the General Accounting Office that the fund's financial position is worse than thought.

Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, said that the annual GAO audit, due to be released tomorrow, would show that the fund stood at only $4bn to $5bn at the end of last year, compared with the FDIC estimate of $8.4bn, which it still defends.

The difference reflects varying views on when to take account of anticipated losses from bank failures.

Mr Seidman said yesterday that the GAO figures could increase the pressure on Congress to act quickly on the problems of the fund and the banking industry.

Proposals by Democratic Party leaders in the House of Representatives, seeking to separate the immediate recapitalisation of the bank insurance fund from the fundamental structural changes to the banking system proposed by the administration, threaten both the scope and the substance of the plan.

Mr Nicholas Brady, Treasury Secretary, is holding talks with Republican Party leaders about how to rescue as much of his plan as possible. Proposals to allow commercial companies to own banks have always looked highly unlikely to pass.

However, the Treasury wants to ensure that any legislation includes not only the overhaul of deposit insurance, recapitalising the insurance fund and tighter supervision, but also nationwide branch banking and, preferably, a destruction of barriers between commercial and investment banking. The main bank regulators all favour a broad-ranging package. However, Congressman Henry Gonzalez, Democratic chairman of the House Banking Committee, has said his committee will act on the fund recapitalisation "not later than May 15."

Despite assurances by Democratic leaders, including House Speaker Tom Foley, that broader banking reform would still be tackled, the Treasury fears that, having dealt with the immediate problem, Congress will postpone action on the more controversial long-term issues.

The Senate Banking Committee plans to start writing its version of the legislation in June and Senator Don Riegle, its chairman, has said the priorities are reforming deposit insurance and recapitalising the bank fund.

The Treasury may be forced to compromise over the $70bn insurance fund recapitalisation, in face of the opposition both of Congressional Democrats and Mr Alan Greenspan, the Federal Reserve chairman, to the proposal that the fund should be able to borrow $25bn from Federal Reserve banks.

Instead, Mr Gonzalez and Mr Greenspan argue that the borrowing should be from the Treasury itself. A compromise is possible.

Attempt to kill Chilean senator backfires

A MAN died and a woman was seriously hurt yesterday when a bomb they were carrying exploded near the home of a right-wing Chilean senator, police said, Reuter reports from Vina del Mar, Chile.

The bomb with a timer mechanism exploded in a street of Vina del Mar, about 100km north-west of the capital Santiago, as the pair were apparently about to plant it at the house of senator Beltran Urenda, police said.

The bomb was the first political attack in Chile since rightist senator Mr Jaime Guzman was shot dead as he left a university lecture in Santiago April 1.

Police and officials say members of the Marxist Manuel Rodriguez Patriotic Front guerrilla group killed Mr Guzman.

As a result of Mr Guzman's death, the government last week set up a special anti-terrorism bureau to combat extremist violence.

No group immediately claimed responsibility for Wednesday's attempted bombing.

Mr Urenda, formerly an independent senator, recently joined the Independent Democratic Union founded by Mr Guzman.

● Argentine president, Mr Carlos Menem said on Tuesday he had postponed until October 20 mid-term elections originally scheduled for September 8, Reuter reports from Buenos Aires.

Mr Menem cited as his reasons that many provinces had yet to register new voters and political parties had not held their primaries and may need more time for their campaigns.

Setback to insurance tax reduction policy

By Nancy Dunne in Washington

THE DRIVE in the US Congress to reduce taxes for the US old-age insurance system yesterday suffered a jolting setback on a 60-38 vote in the Senate to shelve the proposal.

Senator Daniel Moynihan, the New York Democrat who is the leading proponent of the Social Security tax reduction, said the movement for lower social security taxes had gained ground because the other side had admitted that the tax funds were being used inappropriately.

However, support for the measure has apparently diminished since last year, when 54 senators voted in its favour. Senator Moynihan will try again later in the session but he will have to get the votes of 60 senators instead of a simple majority.

The vote was a victory for President George Bush, who along with Republican and most Democratic leaders, contended that a reduction in social security taxes would jeopardise the entire system.

A majority of the Democrats supported Senator Moynihan, agreeing with his contention that regressive social security tax is being used to mask the size of the federal budget deficit.

They propose to make the system more progressive by increasing total payments by wealthier citizens.

Big Apple apartment workers' strike bites

By Nikki Tait in New York

THE streamlined city lifestyle of thousands of New Yorkers has been thrown into turmoil this week.

From the most high-toned Park Avenue apartment blocks to hovels in Hell's Kitchen, residents are confronting a strike by 30,000 building service workers.

This is no joking matter. Jobs done by striking employees – members of Local 32B-32J of the Service Employees International – range from internal rubbish collection to building maintenance.

Many doormen, security guards, lift operators and caretakers have joined the strike.

At issue is a new wage contract. Neither side has been forthcoming about the negotiations, but at the weekend, when the strike began, the union claimed that the building owners, represented by the Realty Advisory Board on Labour Relations, were offering wage increases of only 2 per cent a year over three years.

Even so, the strike seemed to take some union members by surprise. "The first I knew about it was when we were called out on Sunday," said one doorman.

To date, the dispute seems to have been largely good-humoured. Good doormen are a valuable commodity in New York, and those residents inclined to whinge are careful to do so out of the strikers' earshot.

Many apartment blocks, meanwhile, quickly instigated temporary arrangements, asking residents to take out their own rubbish and pick up deliveries from lobbies.

Even in extreme situations, it seems commonsense prevails: two striking Fifth Avenue doormen were reported to have abandoned their picket-line yesterday to rescue a maid who had set fire to her wealthy employer's apartment with an overheated iron.

How the dispute will be resolved is unclear. The union claims that many building owners are settling individually, saying that these numbers now run into three figures.

The owners claim that this trend is being over-played and that the number of individual settlements is much less.

Loans to Nicaragua clear way for arrears payment

By Tim Coone in Managua

NICARAGUA expects to settle $360m in overdue payments to the World Bank and the Inter-American Development Bank (IADB) by the middle of this year, following the approval of $225m in bridging loan finance by the Mexican, Venezuelan and Spanish governments.

Mr Antonio Lacayo, Nicaragua's Minister for the Presidency, said on Tuesday night that Mexico and Spain had confirmed in the past week their support for the financial package. He said that Venezuelan support was to be ratified during the state visit of President Carlos Andrés Pérez to Nicaragua today, to mark celebrations of the first year in office of President Violeta Barrios de Chamorro of Nicaragua.

Between $100m and $150m has been pledged by other countries on longer-term finance. A special meeting is to be held in mid-May in Paris to finalise the entire package.

Settlement of the overdue payments to the multilateral institutions is considered to be a central pillar of the government's economic stabilisation plan, as it would unlock new foreign credit for the country.

Prince Charles warns Brazil

By Christina Lamb in Rio de Janeiro

BRITAIN'S Prince Charles yesterday urged Brazilian business to act over deprived communities, and warned against the social costs of progress.

The prince told business leaders in São Paulo, on the third day of a six-day visit to Brazil: "Action to address community problems cannot be successful without full business involvement.

"I cannot help feeling our societies and economies are set on a course in the name of progress which has already brought us close to ecological disaster and social disharmony, and now requires urgent remedial action."

While sympathising with Brazil's problems, Prince Charles urged its business community to act now or face appalling social consequences of increased violence and illiteracy. The prince and his wife, Princess Diana, are in Brazil at the invitation of President Fernando Collor.

In warning against "a tendency to see environmental disaster as tomorrow's problem", the heir to the British throne urged closer North-South co-operation.

"If we do not implement sensible policies, such as better access and a fairer price for exports from the developing South, we cannot expect countries such as Brazil to adopt costly measures which ... risk compounding existing economic difficulties."

● Reuter reports from Washington: The Inter-American Development Bank has approved two loans to Brazil totalling $350m (£205m) for social programmes, an official said.

CONTRACTS & TENDERS

LEGAL NOTICES

FINESAIL BUILDERS LIMITED

Registered number:
Trading name- High Design Building Contractors
Nature of business: Building Contractors
Date of appointment of joint administrative receivers: 4 April 1991
Name of person appointing the administrative receivers: Midland Bank Plc.
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(office holder nos 066 and 259) of Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ

NICKSONS FEEDS LIMITED

Registered number: 1806797
Nature of business: Manufacture of Fish Food
Trade classification: 11
Date of appointment of administrative receiver(s): 15 April 1991
Name of person appointing the administrative receiver(s): Barclays Bank Plc
Austin Scott Alleyne and Ian Richard Bradbery
Joint Administrative Receivers
(office holder no(s) 001247 and [illegible]) of 115 New London Road, Chelmsford, Essex CM2 0QT

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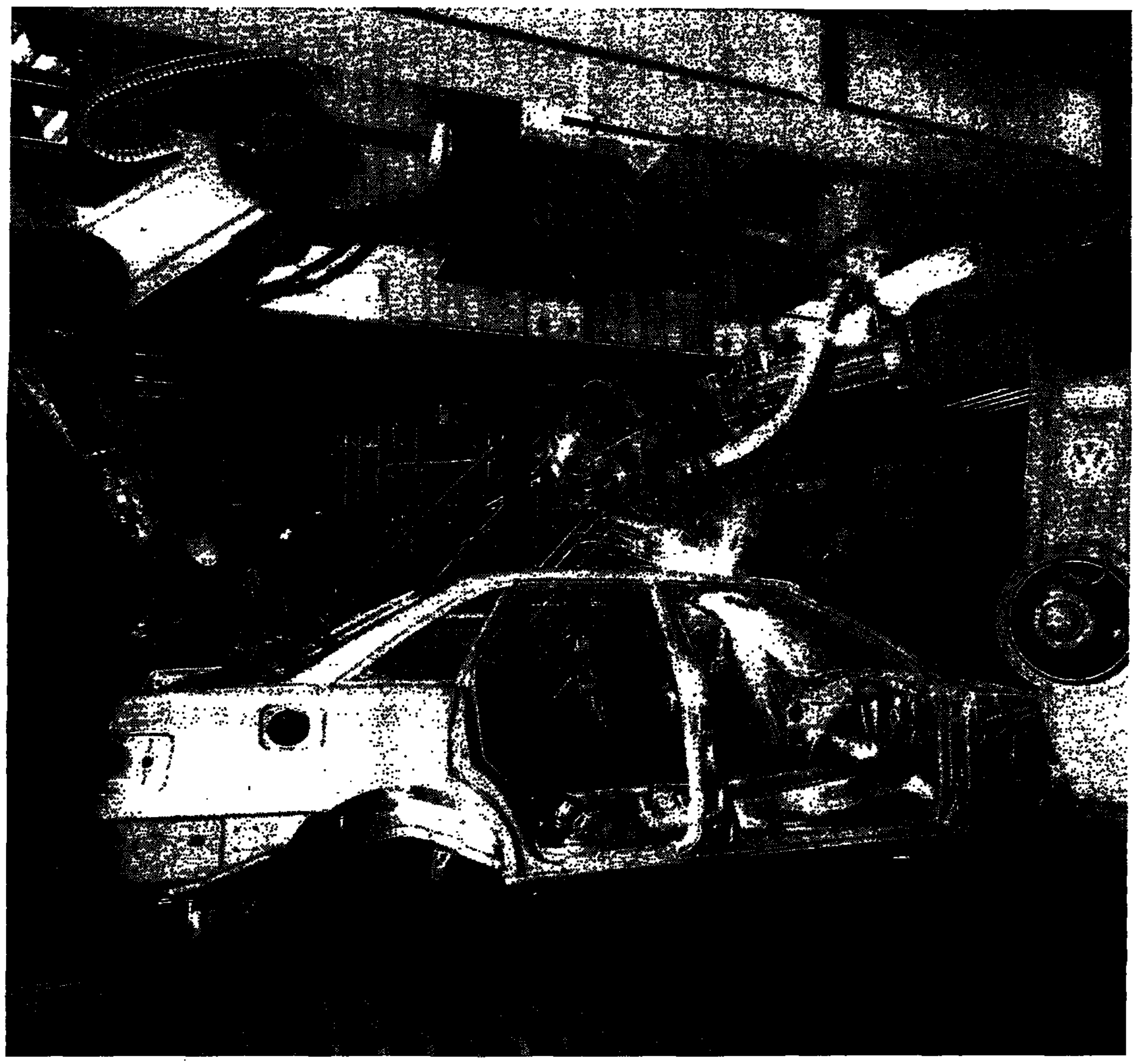
Kevlar* makes Audi engines last longer. Tyvek* gives every Audi a lifetime identity.



Every Audi is unique. Even cars of the same model have differences in equipment, and keeping track of them is vital. At Audi these equipment differences are encoded and printed on adhesive labels which are then placed inside the boot and in the vehicle's service handbook. Any subsequent repairs or parts replacement are thus made much easier.

To make sure this system runs smoothly Audi uses labels made only from Du Pont TYVEK, because of its tremendous wear resistance and other exceptional properties.

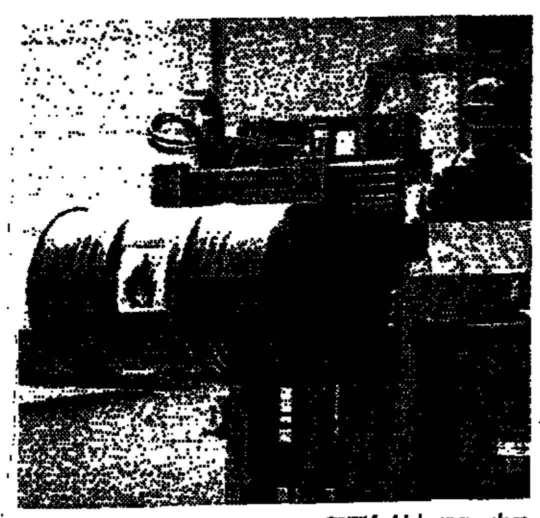
Like TYVEK, KEVLAR is also made by Du Pont, and is no stranger to automotive manufacturers; they've known about the merits of this high strength, low weight fibre for years. KEVLAR, for example, is used to reinforce cylinder-head gaskets and cooling system hoses in high-performance engines. It is also widely used in brake pads, clutch linings and tyres.

The many strengths of Tyvek.

In developing TYVEK Du Pont was able to combine many of the best properties of paper, fabric and film. This unique spunbonded olefin material is extremely light, yet strong and tear resistant. TYVEK shrugs off water and most chemicals, resists puncturing, is approved for contact with foodstuffs, and retains its remarkable properties down to −70°C. It is also highly printable, with a smooth, white surface that's suitable for all processes including computer printers. TYVEK is easily recycled or disposed of, with no adverse environmental effects.

Lost label... big problem.

Labels that get torn, worn or waterlogged can't be read – and an unreadable label is as useless as no label at all. For instance, what's the point of urgently shipping spare



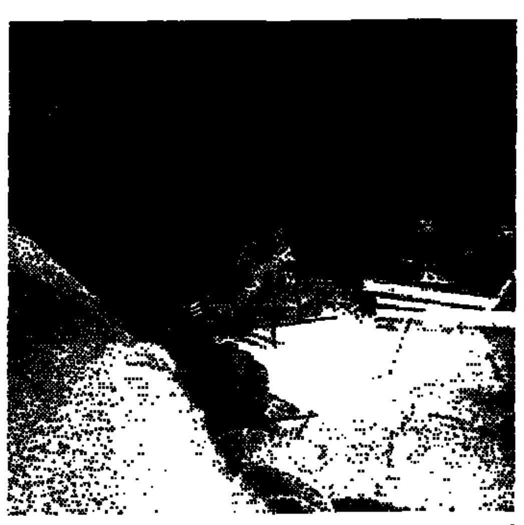
TYVEK for labels you can rely on.

parts if no-one knows what they are? And chemicals that have lost their identity can be downright dangerous if wrongly stored or handled. It is because of the exceptional physical and chemical resistance of TYVEK and the labelling integrity it provides, that it is specified by such leading companies as Ciba-Geigy, ICI and Schering.

With Tyvek the way ahead is clear.

Paper road maps, city plans and marine charts are great when they are new. But after a while they start to tear at the edges and fall apart at the folds... and if you get them wet they're simply unreadable.

But maps and charts printed on TYVEK are different; they can be folded and unfolded endlessly, and can't soak up water (drop one overboard and it will not only float, it'll stay completely readable). Even after years of use a map printed on TYVEK will still be pointing the way.



Maps made of TYVEK are tear-resistant and waterproof.

This remarkable durability is why TYVEK is specified by many leading map makers, including Edison Cartographiques, Maritimes and Delfino Editrice, and why the yachtsman's "Blue Book" of Mediterranean ports is printed on TYVEK.

Few things take more of a beating than children's books and games... and few materials can take the punishment better than TYVEK. Which is why, for example, Ravensburg Games use it to extend the life of their products.

Tyvek delivers, safe and sound.

When you send something by mail or courier you want it to arrive in the same condition as when it was sent.

Envelopes of TYVEK resist pilfering or accidental exposure of the contents through tearing, puncturing, bursting and abrasion. Add to these qualities their postage-saving light weight, water resistance and high-quality appearance, and it is little wonder that they are the primary choice of many banks, insurance companies and legal firms.

No surprise, either, that courier services such as Federal Express, and several postal authorities use envelopes of TYVEK for their important and urgent deliveries.

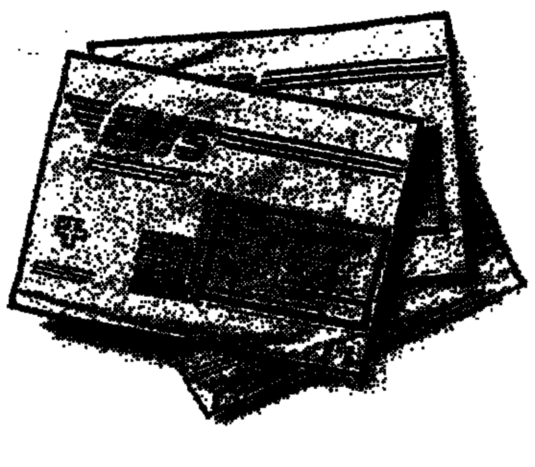
Packed safely.

TYVEK's special properties of strength, security, chemical and physical resistance and light weight offer many advantages to the packaging industry. Its versatility is useful, too: TYVEK can be printed, diecut, laminated, heat-sealed, bonded with adhesive and stitched. Its smooth surface is perfect for record and floppy disc sleeves, while its air permeability allows products to be gas sterilized, making it ideal for sterile packing applications.

Long-lasting legibility plus people protection.

Labels, envelopes and packaging are by no means the only uses for TYVEK.

The same advantages of strength and durability lend themselves to almost any application where the message must get through – display materials such as banners and posters, freight waybills and shipping documentation, ID cards and season tickets, wiring diagrams and instructional manuals... the list is almost endless.



TYVEK keeps valuable documents safe in transit.

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DU PONT

UK NEWS

CAA rules out smoke hoods for air passengers

By Paul Betts, Aerospace Correspondent

THE CIVIL Aviation Authority (CAA) has ruled out the use of passenger smoke hoods on airlines because they risked delaying emergency evacuation of an aircraft cabin on fire.

But a CAA report on improving passenger survivability in aircraft fires favours the introduction of water spray systems in aircraft cabins.

Tests have shown that water sprays would hold down cabin temperatures and extend the time for safe evacuation in the event of fire.

However, their introduction would increase an airline's overall operating costs by increasing the weight of an aircraft. A narrow body jet would have to carry 45 gallons of water while a jumbo jet about 130 gallons.

The CAA's opposition to smoke hoods - face masks which would protect passengers from fumes - is likely to provoke fierce controversy because of widespread calls for their introduction following the fire on a British Airtours Boeing 737 at Manchester, north-east England, in 1985. Britain's Consumers Association said it was "outraged" by the CAA decision. After the accident in which 55 people died, including 48 from inhaling smoke and toxic gases, the CAA was asked to consider introducing smoke hoods on UK-registered aircraft.

The House of Commons Transport Committee said at the beginning of this year that smoke hoods should be carried.

But Sir Christopher Tugendhat, the CAA chairman, said yesterday that smoke hoods were likely to increase rather than reduce the risk of death.

An analysis of accidents since 1985 showed that while the hoods could save one life per year, the more likely outcome was that up to eight lives could be lost because of delays in evacuating aircraft.

Civil aviation agencies in other countries had also studied smoke hoods and decided against their use.

Mr Ronald Ashford, the CAA's safety director, said the European Commission had completed a draft directive to harmonise aircraft safety standards which was now with the EC Council of Ministers. He said the directive was expected to be published in June.

Ivor Owen examines the support for proportional representation

Voter poll backs electoral reform

HALF the electorate favours replacement of Britain's first-past-the-post voting system by proportional representation according to a survey published yesterday.

Britain is the only country in Europe with a first-past-the post system and the survey, conducted by the poll group Mori, indicated that Conservative voters were split almost evenly over the switch.

This reflects a growing public perception of Mr John Major, the prime minister, as a more consensual figure than Mrs Margaret Thatcher, his predecessor, but will make little impact on the Conservative Party's traditional opposition to proportional representation so long as it is can command a majority in the House of Commons at regular intervals.

Mr Robert Maclennan, home affairs spokesman for the Liberal Democrats - the most consistent advocates of electoral reform among the leading political parties - said the survey showed they were more in tune with public opinion about how Britain was governed than their rivals.

Pressure on Mr Neil Kinnock, leader of the opposition Labour party, and his cabinet to back the change will be intensified by the disclosure that more than 65 per cent of Labour Party supporters would approve it.

A traditional political scene on election night as ballot papers are counted

Mr Robin Cook, Labour's principal health spokesman and leading advocate of the abandonment of the first-past-the-post voting system in the Labour Cabinet, welcomed the verdict that Labour voters wanted proportional representation even more strongly than the rest of the population.

Mr Cook's enthusiasm is unlikely to receive early public endorsement from Mr Kinnock who, like the majority of his senior colleagues, fears that a declaration of support for changing the voting system at the present juncture would be interpreted as lack of confidence in Labour's prospects for forming a majority government after the next general election.

But a resolution approved by last year's Labour conference requiring the National Executive to consider alternatives to the first-past-the-post voting system for elections to the House of Commons ensures that it stays high on the party's agenda.

Other findings from the survey are:- More than 50 per cent support fixed-term parliaments thus denying the prime minister of the day the right to make political capital out of determining the date of a general election.

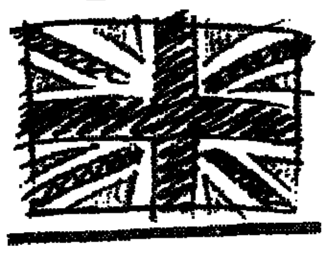
The introduction of a Bill of Rights enshrining individual freedom has 72 per cent support, and 60 per cent believe government power is too centralised.

While majority government is preferred on balance (49 per cent to 45 per cent) half the public would like to see more party co-operation.

A devolved assembly is the most popular option among Scottish voters, with majority support for legislation to establish one in the event of the Conservative Party continuing to hold on to power through the seats won in England and Wales.

Mori interviewed 1,547 adults between March 7 and March 25 in 180 constituencies.

BRITAIN IN BRIEF



IBM to cut back its UK activity

International Business Machines is rationalising its manufacturing in the UK with the loss of 400 jobs over three years at two UK plants.

The company, the world's largest computer maker, said the chief aim of the rationalisation was to to eliminate duplication in services to the two plants.

IBM said that did not imply that the affected sites in Hampshire, southern England, and near Glasgow, Scotland, were less efficient than their counterparts in the US or Japan. The company said it remained committed to a full employment and there would be no redundancies.

IBM plants world-wide compete against each other to manufacture particular computer systems. The performance of plants making comparable equipment in the US, Europe and Asia is closely monitored.

Power stations to close

Powergen, the UK electricity generator, announced the closure of two power stations with the loss of 440 jobs. The company said the stations were "inefficient and increasingly unprofitable".

The stations, in West Yorkshire, northern England and Warwickshire, central England, are due to close in November next year and their output taken on by new installations under construction.

Hours lost on short time

The number of hours lost through short-time working has doubled over the past year as organisations attempt to hold on to skilled employees during the recession rather than make them redundant, according to a study published today.

Big option for Scottish Power

Scottish Power, the larger of the two Scottish electricity companies to be floated at the end of May, says it has raised its exposure in the electricity options market with a 77 per cent increase in the size of its option contract with the 12 English regional electricity companies.

Police urge open tribunal

Serious allegations against police officers should be heard at tribunals open to the public, according to the chairman of the police complaints authority.

The authority, an independent government-appointed body, oversees investigations into serious complaints against the police.

Last year, it received 7,156 new cases for consideration - 16 per cent more than in 1989. The Home Office said that this did not indicate that complaints against the police had risen by 16 per cent since the number of cases referred to the authority did not reflect the total received.

Judge Francis Petre, said in the report that the proposed tribunals hearing serious cases would include independent representatives and recommend punishments to chief constables. Less serious allegations would still be handed by police forces internally, but with lower standards of proof than at present.

He also criticised the level of secrecy surrounding the handling of complaints. At present, members of the public making complaints are not informed of disciplinary decisions made by chief constables.

Building society receipts fall

Building society receipts fell to £543m in March from £608m in February, mainly because investors withdrew funds to apply for electricity shares.

However, mortgage advances rose sharply in February as falling interest rates spurred home-buying.

Recession in Wales deepens

The recession in Wales is deepening according to the latest survey from the Cardiff Chamber of Commerce. The position in Wales is now on a par with that in the rest of the UK. This confirms the views of businessmen in Wales who are not directly associated with the chamber.

Euro-teacher service starts

A European teacher placement service has been launched by the Department of Employment. It will provide week-long placements in companies on the European mainland for more than 500 teachers a year, funded jointly by the government and industrial sponsors.

Motorway tunnel plan

The Transport Secretary, Mr Malcolm Rifkind is looking at proposals to tunnel the M3 motorway under part of Hampshire, southern England, to save ancient monuments and an area of beautiful landscape.

The move follows a meeting at the Commons between Mr Rifkind and protesters who warned that completing the M3 link between London and Southampton would destroy one of the finest landscapes in the south of England.

Environmental groups are opposed to the scheme because it would cut through two scheduled ancient monuments, two Sites of Special Scientific Interest and the East Hampshire Area of Outstanding Natural Beauty.

Arts Council cut back

The Government has ordered a 10 per cent reduction in staff costs at the Arts Council. Early estimates were that about 35 jobs could go. The arts minister, Mr Timothy Renton, said the £1m annual saving would be achieved at a cost of £1.5m in redundancy payments.

Media job losses grow

The toll of media job losses is mounting. The BBC announced 364 redundancies among its national radio staff while News International, the media group run by Mr Rupert Murdoch is to cut 185 jobs from its newspaper printing workforce.

The BBC redundancies will affect cleaning, catering and security staff at Broadcasting House in London, where its national radio operation is located. The losses, which involve one in eight employees at Broadcasting House, are the result of a decision to contract out those services.

Yesterday's announcement means the BBC has called for more than 1,000 redundancies this week.

Ex-Guinness head sick

Mr Ernest Saunders, the former chairman and chief executive of Guinness, is suffering from incurable pre-senile dementia, the appeal court was told. A brain scan has revealed evidence of abnormalities of his brain, in particular the frontal lobe.

Doctors called to give evidence on Mr Saunders' appeal against the five-year jail sentence he is serving for his part in the Guinness affair said they believed he would have been suffering from the illness during his trial last year.

Correction

In Tuesday's Computer Industry survey, we suggested incorrectly that Sinclair Research was now part of the Amstrad organisation. In 1986, Amstrad purchased the right to use the Sinclair trade name together with Sinclair's intellectual property rights, patents and stocks of home computers. Sir Clive Sinclair, however, retained ownership of Sinclair Research.

هكذا من الاصل

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You'll still be discovering its true values long after you've forgotten its price

"The realisation that here was a car of real, deep-down design integrity and build quality was a slow-dawning delight . . . I knew then that if I ever owned a serious car it would be a Mercedes."

So wrote David Vivian, *Autocar & Motor's* road test editor (26 December 1990), about his long-term test 190E 2.3-16. And in so doing, he pin-pointed the reason so many demanding drivers buy Mercedes-Benz cars time and time again (when it would be simple enough to buy what seems, superficially, to be a cheaper car).

Quality Means Value

No manufacturer is more deeply committed to value for money than Mercedes-Benz. For them, it is inseparable from the deep-seated build quality that Vivian writes about. (Fact: every eleventh Mercedes assembly worker is a quality controller. Fact: Mercedes body shells have between 4700 and 5600 welding points, an inordinate number, giving them a "hewn from granite" feel.)

Value for money takes on even sharper focus when you think about running costs, servicing standards and resale value. "Up to the 18,000 mile service, we spent just £95 on parts and £131 on labour," wrote Bob Murray, editor of *Autocar & Motor* (7 November 1990) about his long-term 300E-24. Murray was also appreciative of his local dealer service. Indeed, meticulous Mercedes-Benz servicing (including the Touring Guarantee which ensures four years of prompt, free, breakdown repairs and alternative transport and accommodation) is another key benefit of Mercedes-Benz ownership.

Unrivalled Resale Value

Resale value? Steve Cropley, editor of *Buying Cars* (August 1990), said: "In a year, low depreciation can save you the cost of your annual holiday. In five it can save you a house deposit." *Buying Cars* went on: "The Mercedes 190E is probably the lowest depreciating of all cars we've chosen."*

Few car-buying decisions are as gratifying – or as gilt-edged – as the decision to buy a Mercedes-Benz. Its price may be as low as £16,300 (for a 190E 1.8) – but that's scarcely a yardstick of its true values.

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Pensions test case likely to be heard in Luxembourg

By Eric Short, Pensions Correspondent

THE government has agreed in principle to provide financial backing for the trustees of the Coloroll Group Pension Schemes in a test case on pensions equality.

It is hoped that the test case will resolve the ambiguities arising over last year's judgment by the European Court in the Barber v Guardian Royal Exchange case. It is intended to bring the test case before the High Court within weeks and to have it referred to the European Court within 18 months.

Last year's judgment ruled that benefits paid from occupational pension schemes counted as pay within the meaning of Article 119 of the Treaty of Rome and therefore had to be equal for men and women.

However, the judgment stated that to avoid upsetting the financial balance of schemes, it would only apply to pension entitlements arising after the date of the judgment – May 17 1990.

The confusion arose over to whether this related only to the benefits secured by contributions made after May 17, or to the date when the pension payments started, or to all pension payments after May 17.

The interpretation could result in a minimal initial cost to pensions schemes if the interpretation is favourable to the companies, but rises to around £30bn on the most unfavourable interpretation.

Coloroll Group went into administrative receivership – a few weeks after the judgment.

Mr Richard Neale, an independent trustee of the group's schemes, said that "As trustees, we need to make certain that the eventual amounts paid are absolutely correct. Since the ruling is unclear, the only course of action is to obtain clarification through the courts."

Mr John Cunliffe, pensions partner with the City law firm McKenna & Co, expects to get the case before the High Court in a matter of weeks and referral to the European Court within 18 months.

BRITISH ECONOMY

Fresh wave of UK economic gloom

By Michael Cassell, Business Correspondent

MINISTERS yesterday confronted a fresh wave of gloom over Britain's economic prospects, shedding fresh doubts on government claims that the recession will begin to lift later this year.

While the British Chambers of Commerce and the Engineering Employers' Federation said the recession remained firmly entrenched, Mr John Banham, director general of the Confederation of British Industry, claimed parts of manufacturing industry were now in a slump.

Mr Banham said order books in many manufacturing sectors were now lower than in any post-war period. The state of the overall economy was "bad and getting worse", a picture which will be confirmed when the CBI publishes its quarterly trends survey next week.

His remarks, which followed Tuesday's well-publicised criticism of the government's handling of the economy by the Institute of Directors, were noticeably less optimistic than last month, when he said the economy appeared to have "ticked up noticeably".

Mr Banham emphasised, however, that the rate of deterioration in the economy was slowing down and that factory gate price rises, together with the rate of pay settlements had fallen markedly.

But he claimed that, without further, early cuts in interest rates, the prospects for economic revival remained poor.

Altough the CBI agrees with Mr Norman Lamont, the Chancellor, that the economy should begin to recover in the second half of the year Mr Banham said it would be "well towards the end of the year" before any improvement became widespread.

The British Chambers of Commerce delivered the first survey of business confidence since Mr Lamont's announcement that he intended to pay more attention to such soundings in assessing the shape of economic recovery.

The survey showed that the economy plunged further into recession during the first quarter of this year, with the service sector rapidly following manufacturing industry into sharp decline. Any end to the recession, the Chambers added, remained "faint and elusive".

Mr John Smith, the shadow chancellor, led a renewed Labour attack on the government's economic record, claiming the survey provided further evidence that the economy is in "a deep and damaging recession". Mr Gordon Brown, the shadow trade and industry secretary, demanded that Mr John Major, the prime minister, should "wake up to the damage his economic policies are doing country-wide".

The Engineering Employers' Federation added to the bleak picture, following publication of its own survey suggesting that the engineering sector is unlikely to experience any recovery until the middle of next year. With output, productivity, exmployment and exports all dropping, a further 90,000 engineering jobs could be lost over the next year, it claimed.

UK motor industry leaders yesterday warned Mr Norman Lamont, the chancellor of the exchequer, that the recent strong growth in car exports was expected to slow in the second half of the year, writes Kevin Done.

British car production has become increasingly dependent on exports in the face of the sharp down-turn in domestic new car demand.

UK car makers are concerned, however, that sales in export markets are also likely to weaken later this year, when the present high level of demand in Germany begins to fall.

The chief executives of Rover, Ford of Britain, Vauxhall and Peugeot Talbot met Mr Lamont and Mr Peter Lilley, Secretary of State for trade and industry yesterday to express the industry's concern at measures taken in last month's budget.

UK car makers have become alarmed by what they perceive as an increasingly hostile attitude by the government towards the motor industry.

Sir Hal Miller, Conservative MP and chairman of the all-party motor industry group of MPs, said that Mr Lamont had assured the industry that it would not be used as "a milch cow" for taxation.

New car sales fell by 12.7 per cent last year and fell by a further 21.6 per cent in the first quarter this year. In the first 20 days of April sales were running 25.5 per cent lowet than a year ago.

Tories seek to restore morale for poll

By Ralph Atkins

CONSERVATIVES sought to reinvigorate their local election campaign yesterday by provoking a battle of figures with the opposition Labour party over the amounts households will pay under the parties alternatives to the poll tax.

The government stepped up its local election efforts by focusing on the gainers under the "council tax" proposals, amid concerted efforts by senior ministers to restore party morale.

However, Mr Michael Heseltine, environment secretary, acknowledged implementation could slip beyond the planned 1993 start date. He said the timescale envisaged would mean taking the "fast track".

Ministers said two-thirds of households would gain under the government's proposals. They attacked as "bogus" Labour figures, showing their "fair rates" proposals would cost households £67 less on average.

Labour, in response, attempted to undermine the government's figures, based on its poor record in predicting poll tax levels. The party accused the government of protecting the rich at the expense of middle income families.

"Would you buy a used car from these people?" asked Mr David Blunkett, the party's local government spokesman.

As MPs and local council representatives continue to digest Wednesday's announcements, Mr Chris Patten, Conservative chairman, was anxious to deflect attention away from the trauma surrounding the poll tax's demise.

"Now it's time for us to go very firmly on the offensive," he said.

However, Sir Rhodes Boyson, Tory MP for Brent North, said valuations should be based on rebuilding costs and wanted bigger discounts for single person households. "I would have kept the community charge but that's history."

The party is expected to launch a further offensive against Labour at the weekend but plans only one more press conference before polling day on May 2.

Clashes between the two parties centred on estimates of average household bills. Labour's says its proposals would mean an average of £383 compared with £400 under the government's plans.

But Conservatives counter that Labour are using different figures on the sums raised by local councils. Party officials also said £400 was the "council tax" bill on a median property.

The distribution of properties within the seven bands would mean the average household bill would, in fact, be £360.

Mr Patten again indicated that a June election has virtually been ruled out by the party, insisting that the flow of good economic news would ensure that as "the days lengthen this summer, so do Labour's faces".

Liberal Democrats accused the Conservatives of "abusing the privileges of office" by using officials to compile "party propaganda". Mr Archy Kirkwood, chairman of the party's local election committee, attacked the Tories and Labour for treating local elections like "a Dutch auction".

Manchester leaves London trailing in race for Olympics

Michael Thompson-Noel sees the capital's bid, led by Sebastian Coe, above, come a poor second

LIKE A bruising heavyweight boxer scoring a famous victory, Manchester out-slugged London yesterday and won the right to bid for the Olympic Games in the year 2000. The result was a terrible mauling for the capital, but a powerful boost to Manchester and north-west England.

At a meeting of the British Olympic Association (BOA) in London, Manchester won unanimous support for its bid, and was thus catapulted into the billionaire bidding game that will preface the millennial Olympics.

The host city for the Games of 2000 will be chosen by the International Olympic Committee in September 1993. Manchester's rivals are expected to include Berlin, Peking, Sydney, Milan, Brasilia and Belgrade.

Last September Manchester was roundly defeated in its bid to stage the 1996 Olympics, which were won by Atlanta, USA. But it says it has learnt from that episode, and that its new bid will be better and stronger.

Mr Bob Scott, chairman of the Manchester Olympic bid committee, said yesterday after the announcement: "We're going to go hell for leather for 2000. This is not just Manchester's bid. It is the British bid."

London's campaign was led by Mr Sebastian Coe – Olympic gold-medal runner, millionaire world record holder and would-be Conservative Member of Parliament. After losing the vote, Mr Coe, crest-fallen, claimed London had mounted a credible bid.

The hope had been that a successful London campaign would have proved a fillip for development in the Docklands area of east London and a spur to accelerating transport and other spending.

But Mr Coe was floored by a campaign led by an even richer man, the Duke of Westminster, president of the Manchester committee, who told the BOA that he was not a Londoner but had lived in Chester for 22 years – and his family for 900.

From the briskness and gumption displayed by the Duke and his colleagues, it was clear Manchester was going to keep bidding for the Olympics until it won them.

Manchester's city council has said it will underwrite the bid. Fourteen Olympic-style sports venues are said to exist already in Manchester and the north-west, with eight to be built or under construction by September 1993 and a further five at the planning stage. Manchester claims that its transport infrastructure is the best in Britain, and that the core sports venues and planned Olympic village would be within 15 minutes of each other.

Mr Graham Stringer, leader of Manchester city council, said: "We are determined to give Manchester, and Britain, the best possible platform for its case to host the 2000 Games."

A study by Kleinwort Benson has forcecast an Olympic operating surplus of around £190m if Manchester wins.

According to insiders, Manchester beat London because of the technical competence of its presentation and its recent experience of Olympic in-fighting. What hampered London, it is thought – the BOA would not say – was the capital's lack of government, its crowdedness, grime, and terrible transport.

Yesterday it was tottery old London versus a wily and free-punching northern foe – virtually a push-over.

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MANAGEMENT: Marketing and Advertising

Jockeying for position

Raymond Snoddy reports on the battle in the TV listings market

Until March 1 this year the market for television listings magazines in the UK was a market like few others, quaint even by British standards. All over the rest of Europe a diversity of listings magazines, some countries with as many as 30, is normal.

Yet in Britain there was only the Radio Times for BBC programmes and later on TV Times for commercial television. Each jealously guarded its monopoly and sued any publisher which broke it. The only limited exception was for newspapers – they could print weekday schedules 24 hours in advance, 48 hours at weekends.

The fiercest marketing battle for 30 years has broken out in the once sedate world of publishing television programme schedules.

This has been generated by the British government's decision to end the duopoly of programme listings held by TV Times and the BBC's Radio Times. The market, at least in theory, is now open to any publisher willing to pay for the information under licence.

As a result, the established titles and the new entrants are jockeying for position and market share; as much as £20m has been spent on advertising and promotion.

There has even been the first casualty – one of the new entrants, TV Plus, collapsed after only three issues. Some potential players didn't even make it to the starting line; the Daily Telegraph closed its television magazine 7 Days before deregulation and Rupert Murdoch's candidate, the British version of the US TV Guide veered off to concentrate on satellite TV programmes.

"This market is not for the faint-hearted," says John Matthews, managing director of Independent Television Publications – with more than a touch of understatement. ITP is the publisher of TV Times and a cheaper entrant to the market, What's On TV.

Until March 1 viewers who wanted advanced listings had to pay 50p each for TV Times and the Radio Times. Just over 3m households regularly bought a programme journal; about 88 per cent of them bought both. This amounted to only 15 per cent of households with a television compared with 80 per cent in the Netherlands, 30 per cent in France and 28 per cent in Italy.

In the UK now there are four paid-for magazines giving all the programmes including those on satellite; at least two more are under consideration.

Britain's two leading popular newspapers, The Sun and the Daily Mirror, now include special listings supplements in Saturday's editions which cover the whole week's programmes.

But this has potentially tricky consequences; circulation on Saturdays has increased but sales for the rest of the week have gone down. Robert Maxwell, the publisher of Mirror Group Newspapers, says that he will review the situation in two months.

Time Out magazine has seen a significant increase in circulation since it has been carrying full TV listings. The full week's listings are also available in the popular celebrity magazine, Hello.

But the publication to have made the most significant entry to the scene comes from the German publisher, H Bauer. Having scored two successes in the UK women's weekly market with Bella and Take A Break, and planned its move for nearly two years, Bauer then sat out the first four weeks of the liberalised market before launching TV Quick with all guns blazing.

"We really wanted to be sure that the product was absolutely right before we launched," says Alan Urry, managing director of Bauer in the UK, who explains that the company had wanted to allow a little of the dust to settle.

Some of that dust settled on TV Plus which, after an estimated initial sale of 500,000, sank to 220,000 and closed; Hamfield Publications, the company behind it, went into receivership before TV Quick even appeared. Bauer aimed TV Quick unashamedly at the mass market with a cut-throat cover price of 10p for its first four weeks and backed it with a saturation television advertising campaign.

The strategy behind the pricing policy was to get as many people as possible to sample the magazine; it seems to have achieved its objective. Between 1.85m and 1.9m were sold of the first two issues, giving TV Quick an early lead over both TV Times and Radio Times.

According to Urry, between £5m and £6m was spent on the launch. For its first four weeks, Bauer gave the 10p straight to the newsagents, paid the wholesalers a distribution fee and shouldered the entire production costs without revenue. The true test of its circulation will come when TV Quick charges an economic price that Urry says will be between 35p and 45p.

Over at ITP, Matthews has also placed considerable emphasis on price-cutting as a device to draw attention to the fact that TV Times now has news of all TV programmes. For the first three weeks of the new competitive era TV Times halved its cover price to 25p.

Radio Times was forced to respond – but John Thomas, managing director of BBC Publications did not cut the magazine's cover price – although the effect for the consumer was similar. The BBC seized on the fact that the second week after deregulation coincided with Comic Relief, when comedians and the public raise money for charity. The Corporation announced that during the last two weeks of the special offer at TV Times the BBC would donate half its 50p cover price to Comic Relief.

"We were absolutely appalled that TV Times cut its price – thus devaluing a very well established brand in the marketplace," Thomas argues. But TV Times's Matthews says the price reduction was both planned and necessary and was a strategy that worked.

The listings duopoly was nearly overturned by the Monopolies Commission in 1985. The commission found that the listings duopoly was anti-competitive but, on the casting vote of the chairman, Sir Godfray Le Quesne, strangely it found that it was not against the public interest. A suggestion by the commission that other publishers should be able to get the information under licence was ignored.

The drama intensified in December 1988 when the European Commission ruled that the titles of programmes should be freely available. A year later the then Home Secretary Douglas Hurd denounced "the dotty duopoly" and set the beginning of last month as the date for opening up the market.

Partly because of the government's own Copyright Act which strengthened the concept of intellectual property, the "dotty duopoly" could not be overturned entirely.

In future, however, the broadcasters had to make the listings available to any other legitimate publisher under licence – a licence they could charge for.

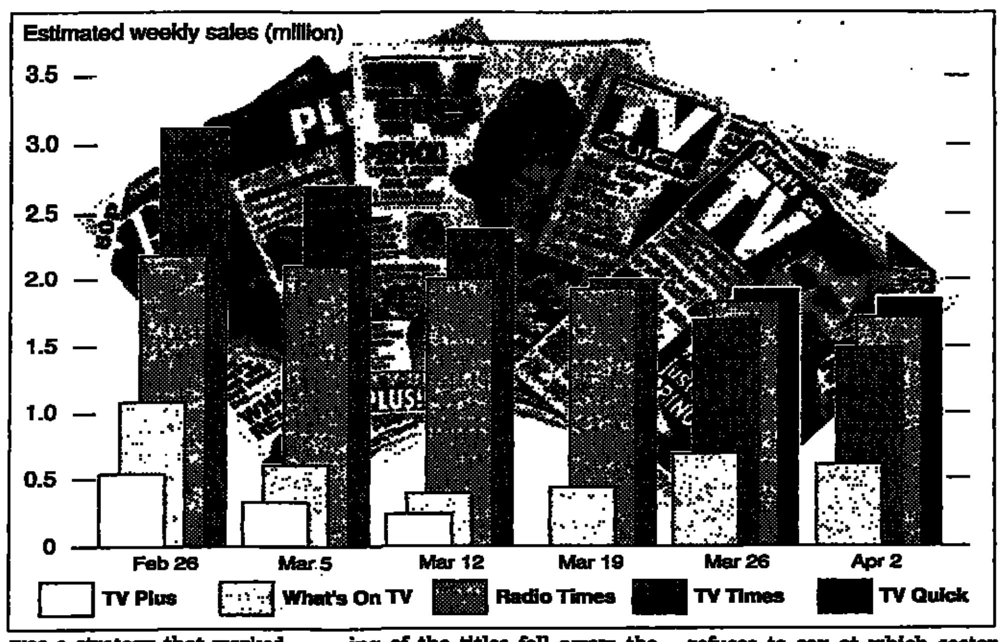
For the first time the British viewing public is able to get all its programme schedules – BBC, commercial television, satellite and cable – under one cover.

The controversy is, however, far from over. Companies such as ITP, publishers of TV Times and What's On TV, are threatening to take the BBC to court in the UK and to Brussels for abusing its dominant position by using its own airtime to promote its magazines such as Radio Times.

Newspapers are also angry because they now have to pay for listings material that once was free – some weekly papers are even boycotting programme listings because they cannot afford them.

Formal complaints have been made to the Copyright Tribunal, the body that will adjudicate on fair rates for listings.

It's all a long way from the hopes of the original campaigners who argued that publicity for television programmes benefited broadcasters and that programme details should simply be available for free.



The second string to ITP's bow grew out of research which showed that while many consumers wanted detailed programme information, others wanted their listings in a more concentrated form.

To meet this latter market and to try to extend the company's market share, What's On TV, complete with a free TV planner board with the first issue, was launched. What's on TV began at a discount price of 25p and had a single week at 35p before having to match TV Quick's 10p cover price.

After a total ITP promotional spend of £10m by week six What's on TV had a circulation of around 600,000 and TV Times claims its circulation was 1.7m, down from 3.1m before deregulation.

Falls in circulation of both TV Times and Radio Times were expected as double buying of the titles fell away; the BBC says Radio Times sales fell from 2.16m to 1.72m. The Corporation's promotional costs were about £5m including more than £1m spent on commercial television. It also had considerable support on BBC television channels.

Thomas believes deregulation is leading to a polarisation of the market. The BBC claims that more than 50 per cent of Radio Times readers are ABC1s, the professional and managerial classes, compared with a TV Times figure in the mid-30s. "We think the UK public is realising what this is all about; there is now an opportunity to increase the market not through pyrotechnics but through careful promotion to distinct segments," says Thomas.

He has researched a new listings title which could be launched later this year, but refuses to say at which sector of the market it would be aimed. ITP, too, has plans for a third title – a glossy upmarket magazine – but no decision has yet been taken on whether to bring them to fruition.

Thomas says he would be amazed if another mainstream British publisher were to enter the market now "with the blood still drying on the wall", although further interest from non-UK publishers could not be ruled out.

In two or three years' time when the market has settled down, Matthews forecasts there will be five paid-for listings magazines in the UK with total sales of more than 6m, 1m more than at present – a far cry from the last time all Britain's broadcasting listings were available in a single magazine: the Radio Times of the 1950s sold more than 10m copies a week.

Of hard hats and brownie points

Jane Fuller reports on a government/commerce approach to road safety

When Malcolm Rifkind, the UK's transport minister, launched a campaign this week aimed at improving safety for child cyclists, Halfords basked in the glow of its public-spiritedness.

The motor accessories retailer is one of several companies to take advantage of the opportunities offered by the Department of Transport to enhance their corporate image by helping to promote road safety.

This year the DoT is raising the amount spent on road safety publicity from £4.75m to £6m. Since last year, campaigns on subjects ranging from drink-driving to aircraft security have all come under the Safety on the Move umbrella.

An important element is the initiative on child safety which concentrates on two big campaigns a year. The first of these last autumn featured Texaco's "Children should be seen and not hurt" campaign.

For the companies involved, the return on their investment – which typically includes disseminating literature and providing equipment at cost – cannot be measured in terms of profit on the promoted item promoted. It could, however, be argued that the products resemble loss leaders and win it more customers.

Instead, they count on a boost to their image. "We get the benefit of being associated with a government campaign. We are seen to be responsible retailers," says Hugh Birley, a spokesman for Halfords.

The DoT is not shy in extracting some benefit for consumers in return for the companies' public earning of brownie points. In Halfords' case it suggested that the retailer might supply helmets for child cyclists at a more accessible price than the usual £23 to £24. For the offer period, the helmet will be sold for £14.99, the wholesale price.

There are, however, limits to the closeness of the relationship between government and the commercial concern. The department is keen to dispell any impression that it is using taxpayers' money to help a company's advertising campaign.

No product is endorsed – "we don't say buy this or buy that" – nor are there any exclusive arrangements. For instance, Mothercare and Elastoplast are also involved in the child cyclist campaign.

Because of the delicacy of the relationship, Miller & Leeves WAHT, the advertising agency used by the DoT, is careful which companies are invited to take part. Peter Jones, the director responsible, says: "Part of our remit is to find companies interested in the marketing of road safety."

One company Jones describes as having a suitable

Child cyclists are prime target

track record is Kwik-Fit, the tyre and exhaust company. It is contributing to publicity about new legislation which, from July 1, will make it compulsory for adult back-seat car passengers to wear safety belts.

The law applying to children came into force in 1989, when Kwik-Fit mounted its original "Belt up in the Back" campaign.

Peter Holmes, marketing director of the Edinburgh-based company, says it first ventured into the safety area in 1987 when it launched its offer to fit toddler safety seats for £34.90, with the promise to take back the seat and refund the money once the child had reached the age of four.

The rear seat-belt legislation, however, can only go so far; it can only be enforced if the belts are already fitted and the DoT estimates that a third of the UK's 19m cars do not have them. Part of Kwik-Fit's role will be to offer a fitting service.

FINANCIAL TIMES SURVEY

THE ELECTRICITY INDUSTRY

Thursday April 25 1991

In addition to the rigours of recession, **David Thomas** finds that the electricity industry is having to meet new demands. Growing competition in the market and the pressure to protect the environment mean that utilities are being forced to reshape their strategies

New market pressures

SLOWLY but surely, competitive forces are beginning to prise open the monopolistic and nationalistic world of electricity generation.

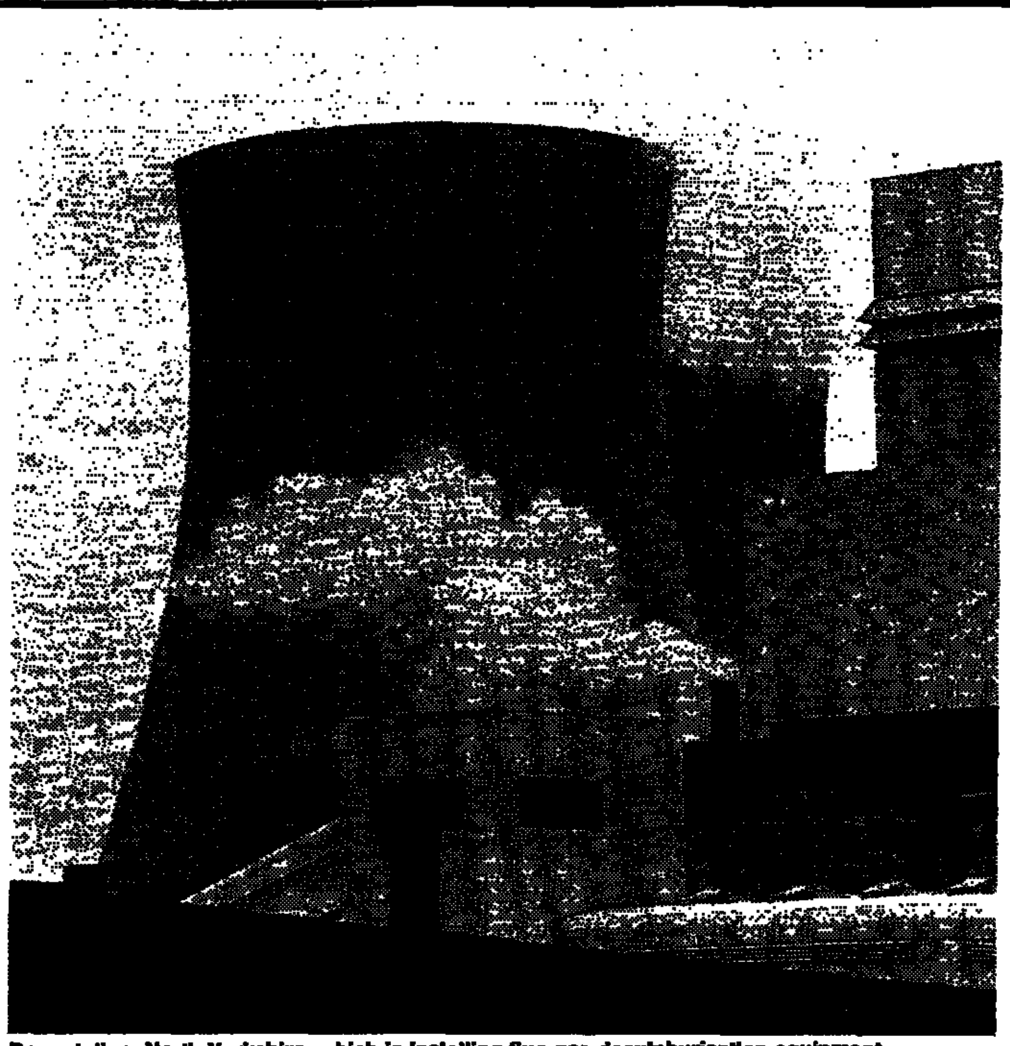
Utilities around the world are beginning to feel the cold winds of commercial pressures. "The old watchwords of 'obligation to serve' and 'build new capacity to meet future demand well in advance' are being replaced by an industry built on contractual relations and commercial orientation," a recent report on the European industry concluded.*

Governments are cutting back their funding support for the industry and large industrial customers are increasingly chafing at high electricity prices. Meanwhile, recession is forcing the industry to pare back its projections of future demand: in western Europe, annual growth over the next few years is unlikely to reach the 3.2 per cent recorded in the second half of the 1980s, let alone the 7.2 per cent of the golden years in the 1960s.

The European Commission is casting an increasingly jaundiced eye over the gamut of arrangements which hinder free trade in electricity within the EC. Last month, the Commission gave Britain, Belgium, Denmark, France, Greece, Ireland, Italy, the Netherlands, Portugal and Spain two months to show that they were not impeding the free flow of electricity across their national boundaries. Failure to do so could result in legal action by Brussels.

"Competition and the freedom to import and export are essential components of the policies needed to create an internal energy market," argued Sir Leon Brittan, European commissioner for competition. The moves are widely seen as an opening shot in what is likely to prove a long battle with the utilities to create "open access" in electricity supply, thereby allowing large business customers to shop around for cheaper power.

The UK industry has seen the greatest changes over the past year, as the government's privatisation programme has come to fruition. The flotation of the 12 regional electricity companies, together with National Power and PowerGen, the conventional generators, completed the process in England and Wales. They will shortly be joined in the private sector by Scottish Power and Scottish Hydro-Electric, the two Scottish companies due to make their stock market debut in June. That will leave only the industry in Northern Ireland, which is scheduled for sale next year.



Drax station, North Yorkshire, which is installing flue gas desulphurisation equipment

Radical though these privatisations are, perhaps even more innovative has been the UK's attempt to create a new trading market in electricity known as the pool. It is still too early to judge the success of this new market, the heart of the government's attempt to inject competition into the industry. Pessimists fear that the electricity regulator will find the new structure inadequate for fostering full competition in the industry, just as his counterparts in gas and telecommunications have found in their domains. Yet the electricity companies have already begun to forge new strategies to meet the demands of the private sector, notably by switching their power plant ordering programme away from large coal stations towards gas.

The switch towards gas-fired generation has become a notable trend throughout the industrialised world. Gas stations are quicker to build and cheaper to operate than large coal or nuclear plants. Crucially, they also have environmental benefits, emitting less sulphur dioxide (which causes acid rain) and carbon dioxide (which causes global warming) for an equivalent amount of energy as coal stations.

Indeed, green pressures are now the number one concern of many utilities, as public awareness of the environment, the flow of eco-regulations and the cost of cleaning up plant mount in almost equal measures. Nowhere is this more true than in eastern Europe, where the newly democratic countries face the twin task of reducing their dependence on inefficient coal-fired stations and dealing with the aftermath of inadequate safety standards in Soviet-designed nuclear plant.

Collaboration between the two formerly divided halves of Europe is likely to mount. Czechoslovakia has already signed a technical accord with France, whereby Europe's premier nuclear nation will help the Czechs to upgrade their eight Soviet-designed reactors to EC standards. Germany has been putting together a powerful consortium of west German utilities, leavened by some non-German firms led by Electricité de France, to modernise east Germany's industry. One estimate suggests that investment of DM30bn-DM50bn (£10bn-£16.6bn) will be needed in east Germany's industry over the next six years.

While prospects are good for gas-fired and combined heat and power plants, the nuclear industry worldwide remains in the doldrums. Having braced itself for a burst of bad publicity to coincide with the fifth anniversary of the Chernobyl nuclear disaster, the industry has to cope with an even more intractable problem: a continuing dearth of orders over the next decade. Those countries, such as France where public acceptance of nuclear power remains high, tend to have a surplus of capacity; whereas in others, notably the US, there is no sign of the public distrust of the nuclear option waning.

* *European Electric Power Trends. Cambridge Energy Research Associates, 2 Rue Duphot, 75001. Paris. $95*

IN THIS SURVEY

THE ENVIRONMENT

Greens urge sales reduction

DRAW YOUR curtains at dusk. Use a toaster to make toast. Dust your lightbulbs frequently. They may sound like commonsense, but these household hints are a central plank – although some say a shaky one – of the UK government's environmental strategy for the electricity industry.

They come from Yorkshire Electricity's recently published Code of Practice on the efficient use of electricity. Under the regulations of the new electricity industry, each regional electricity company must publish such a code, helping the public get more value from each unit of electricity.

The industry rarely talks about using *less* electricity, environmental lobbyists such as Friends of the Earth point out. "A reduction in electricity sales is needed to reduce the threat of global warming," the group insisted in a document published in October last year.

Electricity is, Friends of the Earth says, "Britain's number one contributor" to both global warming and acid rain.

Every unit of electricity (kWh) used, the group points out, means the emission of nearly 1kg of carbon dioxide (CO_2), one of the "greenhouse" gases. The UK electricity industry is responsible for around 33 per cent of the CO_2 released into the atmosphere every year.

It is also a leading producer of the gases that cause acid rain – nitrogen oxides (NOx) and sulphur dioxides (SOx), annually releasing around 0.8m tonnes of NOx – 71 per cent of the UK total – and 2.6m tonnes of SOx – 29 per cent of the national total.

There are two basic ways to deal with the problem – developing technology to generate electricity more cleanly and efficiently; and using less of it, or energy efficiency.

Japan is often held up as a model – its energy ratio is 2.7 compared with the UK's 4.2, undeniably helped by the fact that energy is expensive. It also has a package of stringent regulations enforcing energy efficiency such as labelling for electrical appliances, setting building standards and giving incentives for energy saving measures.

The UK government has begun to go the same way – although not far enough, its critics say. It will spend £26m this year on grants to help low income households use less energy, and will probably introduce a voluntary appliance labelling scheme next year.

In addition, under the new electricity industry regulations, all users pay a levy on electricity generated from fossil fuels which then goes to fund more environmentally friendly methods of producing electricity. All the regional electricity companies, moreover, must take a certain percentage of their electricity from these "renewable" sources, such as wind or wave power.

The government's white paper on the environment sets a target of 1,000MW to be generated from renewables by the year 2000, and has further said they could provide 24 per cent of UK energy by 2025. But from the electricity industry's point of view, what really matters is finding ways to make fossil fuel production of electricity cleaner.

The industry is under pressure – new UK legislation, under the auspices of the EC, will require power stations to cut SOx emissions to 60 per cent below 1980 levels by 2003, while NOx must be 30 per cent lower than in 1980 by 1998.

And the International Panel for Climate Change (IPCC), has set a target of stabilising CO_2 at 1990 levels by 2005, with which the UK has conditionally complied.

Continued on Page 4

THE ELECTRICITY INDUSTRY 2

The UK's privatisation process puts it at the forefront of changes in the industry: FT writers look at aspects of the new structure

Flotation not without headaches

"LIKE A system of outdoor relief for the City," is how Mr Frank Dobson, shadow energy secretary, has scornfully described the long list of advisers involved in the complex privatisation of the electricity industry.

Certainly the number of people who have been drafted in is large. Last autumn, one estimate put the total on the government's side at about 700, and that was excluding those working on the Scottish sale.

Yet the merchant bankers, solicitors, accountants, stockbrokers and printers involved in the privatisation process hotly deny they are overly rewarded. "It has tied up lots of our people and frankly we could have made more money out of doing something else." said one merchant banker.

It is not surprising that advisers have found it irksome. The telephone directory-sized prospectus for the 12 regional electricity companies (Recs) had advisers working a seven-day week from last August to the start of November.

But while in the run-up to the Recs' £5.2bn flotation there were no conflicts of interest between government advisers and those looking after the companies, during negotiations over the generators, relations between the Department of Energy and Lazard, representing National Power and S.G. Warburg for PowerGen, became ever more fraught.

This was partly because the government kept changing its mind about how to sell the companies, before they were eventually floated jointly on the market in February.

Mr John Wakeham, energy secretary, sprung a nasty surprise on PowerGen last summer when he flirted with the idea of selling it in a trade auction, underwritten by Hanson, the industrial conglomerate.

S.G. Warburg had found itself in the complicated position of being told to erect a Chinese wall *inside* its corporate finance department, between those people advising the independent directors of PowerGen and those advising the managers on a mooted MBO. Then in August Mr Wakeham executed an about-turn and reverted to the idea of floating the company.

Another surprise came in January when the Department of Energy decided to sell 60 per cent instead of 100 per cent of the shares in the companies' combined flotation.

The companies' advisers complained that they had not been properly consulted on the decision. Many felt the decision had been taken against the advice of Kleinwort, the government's financial adviser.

But despite all the bitterness that had arisen, the department still believed it could congratulate itself on its handling of the City during the sale because it managed to introduced a number of unusual features into the flotation structure.

These altered the relationship between the government and the underwriting institutions, marking a departure from the traditional underwriting method, whereby investors were allocated shares simply in relation to their weighting in the London equity market.

However, this would not encourage institutions – who know they would get a certain amount whatever ludicrous level they suggested – to be forthcoming in discussions about how the shares ought to be priced. Instead, Kleinwort carried out a bookbuilding operation based on practice in the Euro-equity market. Here, institutions were asked to say precisely how much stock they would take within a range of prices. Those prepared to buy at the keenest prices were favoured when allocations were made.

There was a further reshuffling of shares between underwriters, just before stock market dealings started. This so-called "back-end tender" was designed to ensure that at least part of the sale – 16 per cent – would be sold at a price reflecting that at which the shares would start trading, some two weeks after the 100p partly-paid issue price had been struck.

John Wakeham: sale was a 'text-book exercise'

In the tender, underwriters were invited to rebid for shares at levels above 100p, being required to pay the price they bid. The tender added £42m to the £2.16bn flotation proceeds.

Despite initial concerns that the City would not stomach these ideas, Mr Wakeham was sufficiently encouraged by the results to declare the flotation a "text-book exercise".

But another surprise was to come. Nomura, the Japanese securities house, which had not bid aggressively in the back-end tender, began buying large amounts of stock in the market. This for a short time, pushed the shares to premiums as high as 140p compared with their 100p partly-paid price – just what the department and Kleinwort had gone to such trouble to avoid.

Nomura's reasons are still not entirely clear, but it has said it was unable to bid heavily in the tender to satisfy strong demand at home because of a Ministry of Finance rule covering offers for sale – the method by which the shares were being distributed in Japan while the tender was going on. This would have prevented Nomura offloading shares acquired in the tender at prices above 100p.

Daiwa, lead manager for Japan in the Scottish companies' sale, is currently in discussions with the Ministry of Finance to find a way round this problem.

Clare Pearson

Moulding a management culture

IN THE run-up to its privatisation last month, National Power, the largest electricity company in the UK, issued its managers with a little blue book.

"Transforming National Power" was a hymn of praise to change. It was written by a management consultant who had been appointed as the personal adviser on new working practices to Mr John Baker, National Power's chief executive. "Lean", "flexible", "open", "entrepreneurial" and "commercial" are the buzzwords running through the booklet.

"Committee Rule was the old philosophy," it enthuses. "Now the ability to take individual management decisions must become accepted behaviour – in fact, people who respond quickly and effectively without going through the hierarchy will be encouraged."

It would be easy to poke fun at the often over-simplied homilies which make up much of its 65 pages. Yet the message it contains would come as a shock to most managers in many of the state-owned, monopoly-protected utilities which still characterise much of the electricity industry worldwide.

Changing the management culture was one of the most important tasks that National Power's top executives set themselves in preparation for privatisation. Mr Baker and his immediate lieutenants have been stung by frequent taunts, not least from the City, that National Power was slower moving and more bureaucratic than PowerGen, its smaller rival. If that were not bad enough, the lessons of previous privatisations, such as those of British Gas and British Telecom, spoke volumes about the difficulties facing utilities in adjusting to the cold wind of the private sector.

Each of the company's 35 power stations has been turned into a profit centre, with the station manager held clearly responsible for financial performance. A sharper system of financial reporting links power station and head office. And ramming the message home is a new performance pay scheme which can determine up to 30 per cent of a manager's salary.

Such initiatives will inevitably take time to work through. Meanwhile, National Power has articulated a range of other strategies for improving its performance in the private sector. Top of the agenda is cost cutting. National Power has already shed about 1,000 jobs, reducing its workforce to just over 15,000. That leaves its stated target of losing another 4,000 jobs over the next five years, although industry observers will not be surprised if that target is exceeded.

Two thirds of the job losses are likely to come from power station closures, with the rest from more efficient working across the company. In the past year, National Power has shut five of its coal-fired stations, contributing just over 1,000MW towards its stated goal of closing 3,000MW of capacity by the middle of the decade – a target which the prospectus warns might be exceeded.

Not only does closure help cut costs; it is also central to National Power's fuel strategy. The company wants to reduce its dependence on fuel from British Coal, switching instead to gas, because gas-fired stations using combined cycle technology are quicker to build, cheaper to run and more environmentally friendly.

The other plank in National Power's fuel strategy is an increase in coal imports, which are typically cheaper than supplies from British Coal. Overall, Mr Baker plans to cut National Power's fuel bill by about £250m, or 10 per cent, within about five years.

But National Power is bound to remain heavily dependent in the medium term on British Coal, which will supply National Power with about 43.6m tonnes of coal this year.

Indeed, National Power's directors were only prepared to commit themselves in the privatisation prospectus to "a progressive dividend policy" until 1993, the expiry date for the coal contract and the other arrangements nailed in place by the government to give the industry stability in its early years in the private sector.

John Baker

After 1993, the prospectus warned, "National Power will be operating in a more competitive market, and revenues will be sensitive to the balance between demand and available capacity and to other market conditions."

David Thomas

A small but fierce competitor

BEING SMALL has its advantages. As Napoleon, Tamburlaine, and countless famous others have found, it can strengthen the resolve.

PowerGen, the smaller of the two electricity generating companies, has already proven both shrewd and assertive. Since the early days of its privatisation, it has come across as the friendly face of generation. But within the velvet glove the management is keeping a firm, if not an iron, grip on the newly created electricity market.

There are few signs of a public sector mentality at PowerGen. Chief executive Mr Ed Wallis, who has been in the industry since he was fifteen, is no bureaucrat, but a sharp and direct, hands-on manager.

Having got over the fracas when Mr Robert Malpas, the company's chairman, left the company just before its privatisation, the board is now a close-knit team.

Although smaller than National Power, PowerGen is by no means small. It supplies around 9mMW hours of electricity, to 100 customers – on average slightly smaller customers than National Power – and has 21 power stations.

It will make a pro forma profit before tax of £264m in the year ending 31st March 1991, and expects to pay dividends of £43m, according to the flotation prospectus.

But it has done its best to capitalise on seeming small and approachable. "The customer is king," says Mr Wallis, and the company made a point of offering the regional electricity companies, its largest customers, customised packages of electricity.

It has won other customers like this: Toyota was seduced with a tailor-made contract and was the first large industrial customer to sign to take electricity directly from a generator.

But this accommodating philosophy did not stop PowerGen from competing fiercely with the regional companies to supply large customers, during recent bargaining rounds. PowerGen had been very aggressive, several regional companies reported, and was undercutting their offers.

Not so, says Mr Roberts. "We offered the same prices to the regional companies as we did to direct customers." But PowerGen does not deny it is keenly interested in winning more large customers.

The company's attitude to price is, similarly, hardheaded. Electricity is, Mr Wallis says, a commodity, and despite all the talk of customer relations there is no chance the company will forget the importance of competitive pricing.

PowerGen has been equally vigorous in its approach to fuel purchasing and particularly in diversification away from traditional coal-fired generation.

It was the first generator to commission a new combined cycle gas turbine power station, and has secured gas supplies for a 680MW station at Rye House in Hertfordshire, as well as the 900MW Killingholme station on Humberside – which will take all the gas from the North Sea Pickerill field in the first such single field deal.

PowerGen's commitment to new gas technology is matched by its interest in the latest coal technology. It has invested in a British Coal project at Grimethorpe in Yorkshire, which is developing combustion technology to burn coal more cleanly, and has joined the US electrical power research institute, EPRI, which has made considerable investment in clean coal technology.

The company has already invested £250m in flue gas desulphurisation (FGD) technology which scrubs the gases that leave coal-fired stations for its Ratcliffe-on-Soar power station in Nottingham.

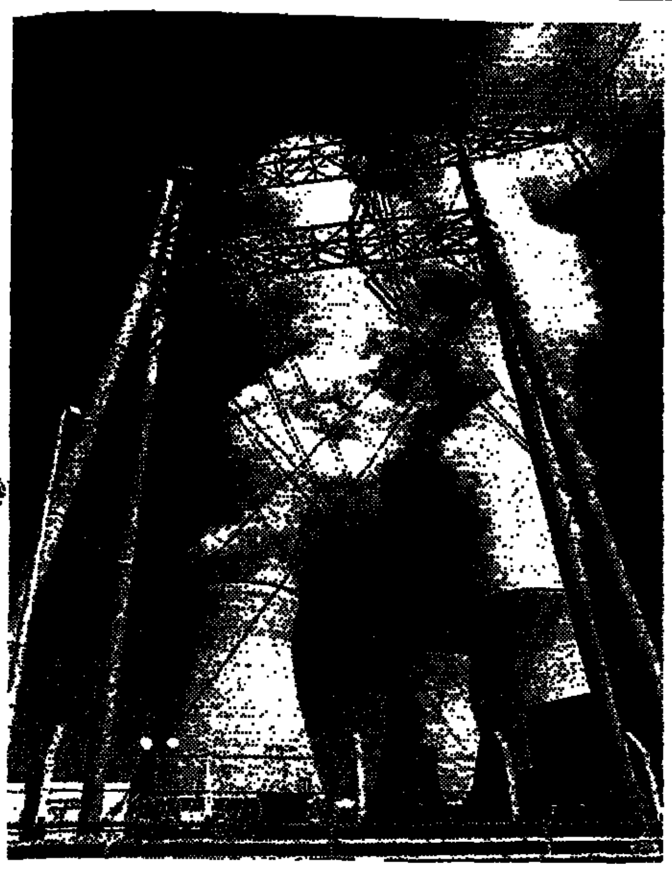
But PowerGen is also looking hard at importing foreign, low sulphur coal. Four out of its five large coal-fired power stations have easy access to coastal terminals, making it easy to import, as the company has pointed out. It is pursuing a policy of diversification away from UK coal.

Ed Wallis

Whether innovation will actually help PowerGen compensate for its size is another question.

It is already true that National Power has more control over the bidding which sets the electricity price in the pool, or spot market, simply because it has more power stations than PowerGen. This, however, may begin to change as more independent power stations come onstream.

Juliet Sychrava



Bugey nuclear power station near Lyons

Japan is torn between nuclear commitment and green issues

Energy policy divided

CAUGHT BETWEEN surging demand for electricity and the *government's commitment to* environmental protection, Japan's electric power producers *and the ministry that rules* them can see only one panacea: nuclear power.

Japan lacks energy resources; so nuclear power generation is vital because otherwise *the nation depends on* foreign sources and is vulnerable to unpredictable fuel costs.

In late February, in Niigata prefecture, the No 2 reactor of Tokyo's regional electric power supplier was shut for six days and restarted at the end of the month after an accident attributed to human failure.

Earlier that month, a nasty *contretemps* at the Mihama Nuclear Power Plant occurred when the day after a minor accident at the plant, local residents received leaflets from the power *company declaring the* facility accident-proof. While neither incident seems to have caused injuries or contamination outside the plant itself, they may help to revive the agendas of anti-nuclear groups.

It has been nearly five years since the Ministry of International Trade and Industry (Miti) began reducing power companies' rates, to pass to consumers the benefits of soar*ing profits ushered in by the* strong yen and cheap oil prices. But then the price of oil went up. In the year ending March 31 1990, pre-tax profits at Tokyo Electric Power Company (Tepco) fell to Y185bn (£770.83m) from the previous year's Y275bn-plus, a far cry from 1987, when the company raked in more than Y444bn. Pre-tax profits for the year ending March 31 are estimated at a dismal Y95bn.

Add to that the likelihood that the government will slap a tax on petroleum products to cover around 10 per cent of the $9bn to be provided in support of the allied forces campaign in the Gulf, and things could get even worse. An industry report from Jardine Fleming Securities in late January said: "Doubling the tax rate could plunge EP [electric power] companies into the red and necessitate a rate hike."

Rate negotiations between the government and the companies occur annually. An increase could be approved this spring, depending on the direction of interest rates and oil prices, the report added.

According to Tepco, the company can still make "reasonable profits" without a rate increase, thanks to Japan's continuing economic expansion and enormous demand *from the Tokyo region.* Underscoring its long-term resilience are the triple-A ratings assigned to the company's outstanding foreign and domestic bonds (total: around $11bn), and the high rating of its Y300bn in commercial paper.

The Jardine Fleming report noted Tepco's high 71.5 per cent ratio of interest-bearing debt to capitalisation, but added that "interest rate movements cannot justify all the changes over time in EP company profitability".

Tepco says it will "overcome" and "survive" the risks ahead. The company is reducing dependence on oil, while capital outlays for nuclear power plant construction since the 1970s are claimed to have made it less vulnerable to fossil fuel price vagaries.

The biggest private sector electric power concern in the world, Tepco is one of nine Japanese regional publicly-held electric power companies which together produced almost 75 per cent of the country's 798,756m kWh of total electric power output in 1989-90.

All the regional power companies are dealing with intensifying competition by diversification into such fields as heat supply services, telecommunications and urban development.

Tepco used nuclear fuel sources for nearly 30 per cent of its total generation (305bn kWh) in 1989. The company relied on LNG-based generation for 36 per cent of output, while oil dependence was 28 per cent. In the electric power industry as a whole, nuclear powered electricity output accounted for around 23 per cent of total electricity generated in Japan in 1989.

The government's fixation on nuclear power generation is not new. The country revved up its first commercially operated nuclear power station in July 1966. The 1970s oil shocks were something of an apocalypse: construction started on no fewer than 22 nuclear plants during the 1980s. At present the country has 38 nuclear power *plants* with another 13 under construction and several more on the drawing board.

Already three other regional electric power companies – Kansai, Kyushu and Hokuriku – generate more than 40 per cent of their total outputs from nuclear sources, while Shikoku Electric Power generates 38 per cent from nuclear. The heavy reliance by the regionals on nuclear-sourced power has made them prime targets for anti-nuclear protesters, who have *successfully stalled* construction of several new reactors.

By 2010, Miti, which regulates and sets strategy for the power companies, intends to double the number of reactors to 78 and boost nuclear power supply to 43 per cent of total electric power generation.

While Miti officials claim the anti-nuclear movement has lost momentum since the Chernobyl disaster, the ministry is not taking the opposition threat lightly. It plans a nationwide three-year PR project later this year directed at specific groups, including housewives, teenagers and company employees.

The ministry's strategy is to target the moderates, instead of reacting directly to the anti-nuclear movement. The project *includes a personal computer*-style network that provides information and news on nuclear power in public places and at nuclear plant sites. PC-owners can dial a phone number to access the network and the ministry will monitor public opinion through questionnaires and by telephone.

As part of its effort, the ministry is also distributing free about half a million copies of a *glossy, 100-page brochure* crammed with pictures, diagrams and flow charts.

In spite of having to close a reactor at its plant in Fukushima, north of Tokyo, for nearly two years after a breakdown in January 1989, Tepco's current nuclear construction schedule has "no symptom of delay," the company says.

A shift in Japanese political balance appears to brighten the future of nuclear power generation. The Social Democratic Party of Japan (formerly the Socialist Party), a strong foe of all things nuclear, seems to have squandered the opportunity it gained in elections last year. Amid its disarray, the SDPJ looks incapable of mounting public support to counter the government's nuclear power commitment.

But short-term difficulties persist. If this summer is as hot as the last, the industry could blow a fuse. Last July, Tepco met a record surge in power demand by reportedly getting a big kilowatt injection from other regionals and by urging consumption restraints to ward off power cuts. Miti says it is boosting needed transfers of AC from one generating *plant to another* when shortages occur.

In a further effort to take the heat off electric power companies, Miti says it is expanding its policy of offering discounts to big industrial consumers, such as steel, car and chemicals producers, that agree to cut power use during peak demand times.

A recent Credit Suisse industry report said 65.7 per cent of *the country's total electric* power demand (including supplies from independent generators) in 1989 was for commercial and industrial use.

The ministry is also trying to curb residential demand that has rocketed owing to the rapid proliferation of home air conditioners.

Christopher Perry
Tokyo

FRANCE: EdF

New image for state monolith

THE FRENCH state-owned power utility, Electricité de France is striving to break away from its past as a relic of central industrial control.

The group's independent-minded managers are acutely conscious that EdF stands out in a world where governments are tending to withdraw from public utilities. They want to change that image, to help EdF advance in the export markets it sorely needs.

After the privatisation and break-up of Britain's electricity industry, EdF is left as the only electricity monopoly in Europe responsible for all of its system, from power generation through to the distribution to customers.

It is this strong central organisation, under the continued control of the Industry Ministry, which has allowed EdF to pursue a consistent pro-*nuclear investment policy* since France's decision to build its own nuclear energy source in the wake of the 1973 oil price crisis.

This has left France today *more dependent on* nuclear power than any country in the world. EdF draws more than 80 per cent of its electricity from its 57 reactors, providing the cheapest electrical power of any European Community country apart from Denmark, a significant advantage for French industry.

Yet the French nuclear power programme has been criticised as over-ambitious, having produced a surplus of seven to eight reactors, according to one official report. It attracts sporadic criticism from France's vocal but surprisingly disorganised environmental lobby, although not enough to cast serious doubt on France's nuclear consensus.

For these and purely technical reasons, EdF does not plan to increase its proportional dependence on *this* source of energy, say officials.

While the state has reduced its influence on *EdF's* decisions, as it has across France's nationalised industries, the utility's top managers are beginning to see government control – especially on pricing – *as* a *hindrance to* their bid to strengthen EdF as the EC's biggest energy exporter.

EdF's cross-border energy sales rose 8 per cent last year to 46.5bn kWh or 12 per cent of the total and the group wishes to raise exports to near 20 per cent of the total by the end of the decade.

At the same time, the group aims to play a significant part in the replacement of ageing reactors in the Soviet Union and eastern Europe. Over the past two years, EdF has delivered a computerised reactor safety monitoring system to the Soviet Union and opened *negotiations for joint* ventures to build reactors in Hungary and Czechoslovakia. It also *looks set to emerge* in the next few months as the main foreign company to be allocated a *stake in eastern* Germany's electricity supply industry.

The export drive is partly designed to help mop up EdF's nuclear surplus, but also to help run down the FFr226.1bn (£22.3bn) debt load that EdF has built up as a result of the nuclear programme, and to earn the cash needed to update some of the older reactors.

Already, the French utility's international ambitions have caused anxiety in politically influential German coal-producing regions, worried about the threat of cheap imported nuclear electricity accelerating job losses in the mines. And in Britain, EdF's attempts to sell excess power at advantageous rates to industrial customers in France have attracted competitors' suspicion.

Mr Jean Bergougnoux, EdF's managing director, points out that it is hard to persuade EC competition authorities that he is not dumping electricity when his government runs a *pricing policy that squeezes* EdF's profits. "A company like EdF must have balanced *accounts if it is to be perceived* as a fair competitor," he says.

In theory, EdF's contract with the Paris government obliges it to hold price rises at 1.5 percentage points below the *rate of inflation.* Yet in practice, the government has, until recently, tended to hold rates lower than that, with the result that EdF has made losses for six out of the past 11 years.

The powerful Finance Ministry argues that cheap power helps curb inflation and so supports the value of the franc, an idea which provokes the derision of Mr Pierre Delaporte, EdF's sometimes outspoken chairman. "If we were convinced that the delay in allowing us to raise our tariffs was necessary to keep the franc safe on the international foreign exchange markets, we would gladly sacrifice on the altar of the fatherland, but we do not *believe it* for a moment," he said recently.

However, in February, EdF received the go-ahead to increase prices by 2.2 per cent, as against the 2.8 per cent general inflation rate forecast for 1991 – a rise greeted as "moderate" by Mr Delaporte.

Certainly, EdF *is gradually* beginning to look more like a commercially fair competitor *than a state monolith. It is now* 10 years since it last received a subsidy from the government.

EdF even managed to produce a profit in 1990, partly thanks to an increase in exports and also reflecting the first fruits of a plan to cut costs by FFr1bn.

Mr Bergougnoux believes that it is only a matter of time before the rigours of EC competition law force the government to give him a freer hand on prices. As he pointed out in a recent interview: "European competition will in the *end* have its effect. Brussels will remind the government that *the electricity market will* conform to competition rules."

William Dawkins,
Paris

Demand for energy efficiency is focusing on the generators

Investment will cut the bills

SOME 20 per cent of the UK's energy bill could be saved by investing in "cost-effective energy efficiency measures", according to Mr William Rickett, director-general of the UK Energy Efficiency Office.

The scope for reducing energy use is not in doubt. Nor is the need to do it. Carbon dioxide (CO_2), the main "greenhouse" gas causing global warming, can only be tackled by reducing energy consumption. Rather than meeting increasing energy demand with increasing supply, existing supplies must be used more efficiently. Demand for change will focus on the electricity industry, an important contributor to CO_2 emissions.

The UK has radically restructured its electricity industry over the past two years in preparation for the private sector. The restructuring arguably offered a unique opportunity to incorporate incentives for energy efficiency into the licences and the regulation of the new companies. The opportunity was not taken.

Under the system in England and Wales, it is in everyone's interests to sell electricity, and in no one's to save. The profits of the generators depend on maintaining their market share. The profits of the 12 regional electricity companies (RECs) depend on the amount of electricity they distribute and sell. The duty to "promote", not enforce, energy efficiency lies with the regulator, Professor Littlechild. So far this regulation consists of ensuring the RECs provide their customers with adequate information on ways to cut consumption.

What privatisation may do is open up the generation side of the market for new, more efficient technologies. Nearly all of the plant being built or proposed today is based on combined cycle gas-fired turbines (CCGT) which achieve greater efficiency levels than conventional coal-fired plant. It has also raised the profile of combined heat and power (CHP), which has potential efficiency levels of more than 80 per cent.

Critics point out that by splitting generation and distribution, and by the regulatory formula used, the government has removed the potential to introduce measures to curb demand, such as least-cost planning. This involves a utility considering whether improving the end-use efficiency of its customers is more cost-effective than building new generating plant.

Least-cost planning is being "aggressively pursued" in about 20 US states, according to Mr Mike Foley of the US National Association of Regulatory Utility Commissioners (NARUC). Some state regulators require utilities to explore both demand and supply-side options before licensing new capacity. In most cases, utilities are then allowed to claim back a rate of return on their investments in energy efficiency.

The employment of demand-side management is due to be expanded as part of the new US National Energy Strategy (NES). Although the power industry at first resisted this approach, many utilities are now finding it profitable. These include New England Electric, Boston Edison and Pacific Gas and Electric, three large, privately-owned utilities.

According to Mr Mike Monahan of Boston Edison, such demand-side management is Edison's main focus because at "the bottom line it is more cost-effective to buy back electricity than it is to build new generating plant". Boston Edison will spend \$250m (£139.6m) to 1995 on energy conservation measures for its customers, including distributing compact fluorescent lightbulbs, and offering free energy audits. In this way, it shaved some 130MW off its peak demand growth in 1990; by 2000, it expects the figure to be closer to 300MW-400MW.

One of the reasons this strategy works is that most US utilities are vertically integrated and have a mandate to serve a particular area. They therefore have an incentive to cut demand. The UK RECs, on the other hand, are distributors and suppliers whose franchise market is due to disappear over the next eight years. An attempt by the House of Lords to enable the regulator, under the Electricity Bill, to enforce energy efficiency measures before approving tariff increases was overturned in the Commons.

The structure of the European electricity supply industry is diverse, and consequently the potential for least-cost planning patchy. Swedish state-owned utility Vattenfall believes it could cut 12TWh-19TWh out of a commercial and residential demand of 70TWh a year. The next phase, due this autumn, is to discover how much of this potential can be realised.

According to Mr Morgan Andersson, project manager, the recent decision by the Swedish government to delay the phase-out of nuclear power means that "it is still vital to keep conservation measures going, but the commercial incentive has changed". Vattenfall now has no need for new generation until 2000.

Other Swedish utilities, notably Stockholm Energi, and some German utilities have implemented demand-side management measures. Italy's state-owned utility ENEL is a vertically-integrated monopoly supplier faced with growing demand and increasingly unable to site new plant due to environmental opposition. It has started to look at how to cut domestic demand by working with manufacturers to promote more efficient electrical appliances.

A recent study for the UK Energy Department by the March Consulting Group estimates that in the UK alone, replacing appliances with the best available on the world market could save 24,000GWh of electricity.

The MCG report, along with the recently released Energy Select Committee report on energy efficiency, comes to the now familiar conclusion that improvements are unlikely to happen without government intervention. Schemes to label appliances according to their efficiency have been introduced by France, Denmark, and Germany with varying degrees of success, but no European country has implemented labelling fully.


Rickett: seeks 20% saving

Again, the US record is impressive, with the 1987 National Appliance Energy Conservation Act setting minimum standards for domestic appliances. The recent NES is set to expand this. A number of US utilities also offer customer rebates for buying efficient electrical appliances.

Meanwhile it may be left to international legislative moves to take energy efficiency to the top of the agenda. Movement may be slow, but environmental legislation is set to grow increasingly stringent. The European Commission has already issued a directive setting standards for SOx and NOx emissions from power plants.

An EC draft directive calls for compulsory labelling for most domestic appliances in member states from July 1992. Minimum standards are set to follow.

Future pressure from the Intergovernmental Panel for Climatic Change to cut global CO_2 emissions may force utilities and governments to try a little harder.

Lucy Plaskett

Continued from Page 1

There are three main options for the industry. First, it can clean up after combustion of coal or oil, notably by fitting scrubbers known as "flue gas desulphurisation" or FGD units to the power station chimneys, which clean the gas as it leaves.

This is the route the UK has so far adopted – 8,000MW of FGD are being fitted at present. However, few people regard this as an adequate long-term solution: FGD does not deal with NOx and critics point out that 8,000MW is a negligible amount compared with continental FGD installations.

The second option is to switch into another fuel. Natural gas is the frontrunner. It releases very little sulphur or nitrogen, and burnt efficiently in a new "combined cycle gas turbine" station (CCGT) which recovers waste heat from combustion to drive a steam turbine, it is around 50 per cent efficient compared with 37 per cent at best for a conventional coal fired station. This means less CO_2 is released per unit of electricity produced. Most of the new power stations due to come onstream in the mid-90s in Europe will be CCGT.

The third option is to devise technology that burns coal more cleanly. In Europe and the US a new generation of coal-fired power stations is being developed. By the 1990s they will be up and running – and green enough, their creators say, to compete with gas.

There are other variants: in the UK British Coal has masterminded a process – known as "the topping cycle" which combines partial gasification with the new combustion technology. These clean coal technologies can cut emissions of sulphur by up to 99 per cent, and nitrogen by between 80 and 90 per cent. By improving efficiency from 35 per cent to up to 46 per cent they also cut CO_2 emissions.

The UK has no plans for any clean coal plant. The government has invested around £20m in clean coal research, and is currently conducting a review of the area, which may result in further investment later this year. So far the money to fund a clean coal plant – a new technology that involves commercial risk so cannot win City backing – is just not there.

Ultimately, however, it will only be built when the two electricity generators order it, and while gas continues to be cheap and available, they are very unlikely to do so.

But environmentalists should take heart. A quiet revolution in industry's use of electricity is taking place. CHP or combined heat and power systems, which generate electricity and heat from a single source, are slowly catching on.

These systems can be twice as efficient as conventional boilers and can cut CO_2 emissions by 70 per cent. If CHP capacity reaches 30,000MW by 2020, as the government hopes, national CO_2 emissions could fall by 15 per cent.

Juliet Sychrava

THE US

Pressures mounting

IT SOUNDS like the antithesis of capitalism: in several US states electricity supply companies can now raise their profits by persuading customers not to buy their product.

The move is part of an energy conservation effort that underlines the severe economic and environmental pressures facing the US supply industry in an era of increasing competition, rising anti-pollution costs and huge capital spending demands. A combination of all these forces has started to produce a merger wave in the highly fragmented industry.

Since the early 1970s, US electric power utilities have been battered by a combination of rising costs and increasing regulation on pricing, new plant construction and other issues. Many are still paying for the nuclear power plants ordered in the 1970s but then, abandoned or not, built on time or to cost. According to the Edison Electric Institute, an industry body, the companies are producing an average return on equity of about 10 per cent, compared with the 13 per cent that state regulatory commissions usually allow.

Foremost among the new challenges facing them now is the cost of complying with last year's Clean Air Act which mandates that sulphur dioxide emissions, a key component of acid rain, be reduced at coal-fired power stations by about half by the end of the decade.

Utilities make some 60 per cent of their power from coal and they have two choices in complying with the legislation. They can switch from burning soft, high sulphur coal to hard coal, but this will push up transport costs. Alternatively, they can install expensive flue gas desulphurisation systems, otherwise known as scrubbers, or experiment with newer technologies such as fluidised bed combustion. The Edison Institute says that meeting the demands of the act will cost the industry up to \$105bn (£58.60bn) by 2010.

In addition to modifying old plant, the industry is going to have to build much new capacity over the next 10 to 20 years to replace old plant and meet new demand. It is expected to add more than 90,000 net megawatts of new capacity by the end of the 1990s.

Several factors have made the business climate more helpful to non-utility companies which wish to generate power. The Bush administration, keen to foster competition in the wholesale power market, has proposed in its recently unveiled energy strategy to remove 55-year-old restrictions on companies owning independent power stations.

The Public Utility Holding Act of 1935 has kept industrial companies out of the power business and prevented utilities from building generating plant outside their territories and then selling that power on the open market.

Other groups have been free to jump into this market: the Public Utility Regulatory Policy Act of 1978 opened the door for small producers of alternative energy to sell power on the open market.

Among the new challenges is the cost of complying with the Clean Air Act

Repeal of the 1935 law has stirred up controversy within the utility industry, with some wanting the freedom to build stations around the country and others unhappy at the presence of independents in their areas.

Federal regulators also want changes in control of utilities' transmission lines. At present, while the utilities are required by law to buy power from independents, they control the electricity after that.

The regulators would like to allow the independents to find their own customers. That has brought howls of outrage from the industry, which argues that the interlopers will simply steal their best clients.

All these factors are forcing some radical changes on the industry. The more far-sighted utilities have been slashing costs and many have set up their own independent power ventures. They have also turned to management of the demand side through energy saving, prompted by changes in the regulatory climate: regulators have begun to offer the companies a return on their energy savings outlays which is broadly the same as the investment they have been making in power plants.

The rule changes – instituted in states such as Massachusetts, New York and California – have turned conservation from a costly chore for the utilities into some of their most profitable operations. The so-called "megawatt" business involves handing out to customers efficient new equipment and sharing in the savings by charging higher rates. The trend has brought together some unusual bedfellows, with conservationists pleased that this means less power station construction and utilities pleased that they are spared the capital costs of new facilities.

The new competitive pressures are forcing the utilities to consider the once-outrageous suggestion that they should get together in mergers. There has been a rash of bids over the past year, including the industry's first important hostile offer, when Kansas City Power & Light made a run at neighbouring Kansas Gas and Electric. Behind the merger wave lies a drive for greater efficiency. Mr Edward Tirello, an analyst at Smith, Barney Harris Upham, and a long-time merger advocate, estimates that about \$3.6bn of annual cost savings for the industry could be generated through more economic and efficient operation of plant.

The largest economies from consolidation would come from pooling – the ability to use a more economic generating plant mix in the consolidated service area during periods of low demand.

The long hand of the regulators could slow down this movement. Only last month officials of the California Public Utilities Commission dealt a heavy, though not yet fatal, blow to the 1988 proposed merger of South California Edison and San Diego Gas and Electric, which would create the largest utility in the nation. The officials agreed that the deal would provide about \$1bn of benefits to customers but complained that its anti-competitive impact outweighed this.

Martin Dickson
New York

ARTS

CINEMA

In search of martyrdom

"If the doors of perception were cleansed everything would appear as it is, infinite."

It was astute of William Blake, a film critic before his time, to associate the notion "doors" with the notion "infinite." Oliver Stone's film *The Doors* seems infinite, though it lasts a mere 141 minutes. Yet it shows not the remotest perception of what was "infinite" in the Blake-ian sense about The Doors' music. Even I, a non-rockomane, recognise in Jim Morrison's broody-thunderous songs a power born of some pyromaniac vision in the soul.

Stone's vision is the same as the one he brought to *Platoon* and *Born On The Fourth Of July*. Well-upholstered hyperbole drives on the story, with a few tinny morals attached like cans to a wedding car. Drug-prone composer-vocalist Morrison, though played and sung with spitting-image similitude by Val Kilmer, is presented as a messiah in search of martyrdom. Society is out to get him, but who in this film is "him"? No human being dwells inside the mad eyes and the marijuana'd wisecracks. ("I don't remember being born," he tells a reporter, "it must have been during one of my blackouts"). This Morrison was a bio-pic legend even before he was born.

The whole film starts with the assumption of immortality then tries to climb higher into Rock Era inspirationalism. Socking on through concert after concert (mixing real and staged footage), traversing ever dottier sexual skirmishes with girlfriend Meg Ryan or groupie Kathleen Quinlan ("Have you ever tried drinking blood?"), the story's ascent is interrupted only by the odd dutiful attempt to "explain" Morrison. He may have been traumatised as a child by the sight of a roadside accident (cue surreally bleached flashback). Or he may have been a free soul spurred to revolt by society's moral pressures or the Vietnam war or... What the hell. Suffice it that he is a genius and the film is two hours of designer idolatry. Stone's Steadicam powers on through rock stadiums and hotel corridors, tracking after its hero like a mad lepidopterist chasing a butterfly.

Occasionally the headlong chase yields a glimpse of some Elysian possibility. The film *could* have been a pop-world mockumentary in the style of *This Is Spinal Tap*; but its funny lines are strictly unintentional. ("I had enough of this shit with Janis," screams a studio manager at a misbehaving Morrison). It *could* have confined itself to what it does best: re-constructing the concerts via fact and fiction. Stone comes into his barnstorming own here: the thousands of extras are whipped into a plausible frenzy, as the air crackles to "Come on, baby, light my fire" or "This is the end." At these moments Morrison-fever means something. Elsewhere in *The Doors* it means only Hollywood's latest bid to be with it by jumping on a bandwagon that vanished 20 years ago.

Nigel Andrews

White Palace starts out as a steamy slice of erotic life only to end up a soggy May-December romance. Max (James Spader) is an effete Yuppie adman who is emotionally scarred by the accidental death of his wife. He seems destined for a life of tortured celibacy until he meets Nora (Susan Sarandon), a brassy hamburger waitress 16 years his senior. Against all the odds, the two fall madly in love, bonded not only by intense sexual desire but also by shared tragedy – Nora lost her teenage son to drugs. Their first few dates see them proceeding all the way from the sofa to the waterbed, with Nora using her considerable skills and experience to draw Max out of his cocoon of impotent self-pity.

So fa so good. In these opening scenes director Luis Mandoki elicits the film's erotic tension with a steady, stylish hand. Spader's unctuous self-containment, reminiscent of his fine performance in *sex, lies and videotape*, is perfect for his character, while Sarandon is eminently believable as a woman determined to keep middle age at bay by sheer sensual will. Unfortunately, their energy flags about a half-hour into the film, transforming it into a quirky love story far less engrossing than the initial pyrotechnics promised. There's a squabble over a vacuum cleaner, an embarrassing visit by Nora's clairvoyant sister (Eileen Brennan), and the inevitable confrontation when Max brings his older, declassé girl home to meet family and friends. Sarandon is much less convincing making impassioned pleas for the working class to Spader's smug relations than she is showing him the sensual ropes. After all this soppy domesticity, it comes as little surprise that heir final reconciliation is sealed with a chaste, public kiss, in which eroticism is joked about rather than explored.

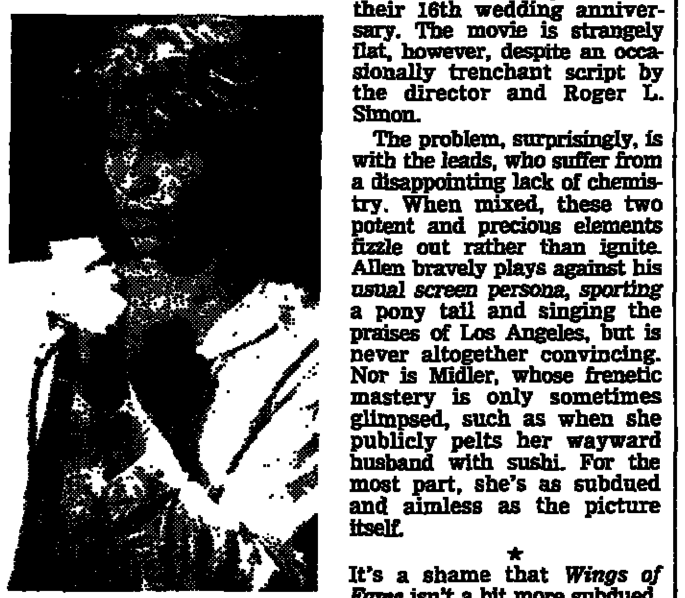
THE DOORS
Oliver Stone

WHITE PALACE
Luis Mandoki

QUICK CHANGE
Bill Murray

SCENES FROM A MALL
Paul Mazursky

WINGS OF FAME
Otakar Votocek



Val Kilmer as Jim Morrison in The Doors

★

It also comes as little surprise that Bill Murray plays a robber in *Quick Change*. There can be few more apt roles for one of modern cinema's most adept scene stealers. In fact, everything about this light, engaging comedy suits Murray perfectly, lending him a perfect vehicle for his wry asides and deadpan double-takes. He plays an ambitious thief who, with the help of a clown suit, a sexy girlfriend (Geena Davis) and a doltish sidekick (Randy Quaid), pulls off what just might be the perfect bank heist. Unfortunately, the one thing that he doesn't take into account is making his getaway through New York City, portrayed here as a thoroughly moronic inferno. Maniacal bus drivers, lovelorn Mafia wiseguys and urban jousters conspire to turn a simple trip to Kennedy Airport into a tortuous adventure.

Murray deadpans his way through it all with consummate skill, particularly in the opening scenes when he takes over the bank. Despite attempts at broadening his character with hints of a traumatic Vietnam past and a romantic entanglement with Davis, he never stops being Bill Murray, even when hidden behind a fright wig and white face. Everybody else – including New York – plays off him with varying degrees of success. His fans will not be disappointed.

★

Fans of the triumvirate headlining *Scenes from a Mall* – Paul Mazursky, Woody Allen and Bette Midler – will be less satisfied. Everything is in place here for a wonderful comedy, with the veteran satirist Mazursky directing Allen and Midler as a successful Beverly Hills couple (she's a best-selling author of psychobabble, he's a sports lawyer) publicly feuding their way through their 16th wedding anniversary. The movie is strangely flat, however, despite an occasionally trenchant script by the director and Roger L. Simon.

The problem, surprisingly, is with the leads, who suffer from a disappointing lack of chemistry. When mixed, these two potent and precious elements fizzle out rather than ignite. Allen bravely plays against his usual screen persona, sporting a pony tail and singing the praises of Los Angeles, but is never altogether convincing. Nor is Midler, whose frenetic mastery is only sometimes glimpsed, such as when she publicly pelts her wayward husband with sushi. For the most part, she's as subdued and aimless as the picture itself.

★

It's a shame that *Wings of Fame* isn't a bit more subdued. In it, Peter O'Toole plays a pompous actor who is gunned down by a deranged fan (Colin Firth). When the assassin perishes as well, their spirits are barged to the netherworld, depicted here as a posh island hotel inhabited by famously dead souls. It is a last resort of sumptuous comfort and profound ennui – Hemingway shoots clay pigeons, Einstein saws away at his fiddle, even Lassie makes an appearance, lurking in the bushes. All wait in dread of the moment when their earthly fame runs out and they will be consigned to the much less cozy mists of oblivion.

Despite the overblown symbolism of hooded boatmen, cadaverous bellhops and blindfolded archers, writer/director Otakar Votocek has a simple point to make – in a godless world, fame is the only form of immortality going. He would have fared far better to ease up on the skewered allegory and focus on the complex relationship between O'Toole and Firth, who both labour heroically to salvage the film from its pretensions. O'Toole is characteristically dissolute and charming, maintaining his legendary poise even in a film that sends him to Hell and back.

Stephen Amidon

Alastair Muir

Elizabeth Old and Steven Brett in 'Slippage'

Slippage

RIVERSIDE STUDIOS

Vaut le voyage, says the guidebook; or *vaut le détour*. Not for Rambert's new programme when you have to negotiate the horrors of Hammersmith Broadway. And not, alas, for the way the troupe is performing this season. It may be that the adjustment to an open space from a routine of proscenium appearances has thrown the dancers off balance, but the company style looks to me less polished and purposeful than of late years. A notable exception on Tuesday night was Amanda Britton, who appeared in Richard Alston's *Soda Lake*. This solo in silence is inspired by Nigel Hall's sculpture, which in turn was inspired by the austere and isolated forms of a dry lake in the Mojave desert. Miss Britton, with her wonderful linear qualities and clear, fluent phrasing, makes a very fine impression in a piece that has previously been danced by men. She reveals the watchful stillness of the piece in movement that is beautifully poised, responding to the two austere metal forms that are the sculpture (like a telegraph pole and a skeletal tree) with images no less pure and controlled.

The novelty of the evening was the first performance of William Tuckett's *Slippage*, fruit of funding from the Ashton Memorial Commission. Tuckett is just starting to make his way as a choreographer with creations for both halves of the Royal Ballet. He is still young, and I am not persuaded that the chance to compose for a modern dance troupe is the best means of extending his skills. For *Slippage* he has chosen a score of minimalist chatter by Dan Jones, music that provides nothing to sustain choreographic invention save the dubious merit of continuing to do what it has already done at interminable length. The chief incidents of the piece amount to the dancers peeling off layers of clothes – dull, and by Candida Cook – to reveal themselves in dreary underwear (one chap looks like Captain Webb about to embark upon the English Channel).

The dance, like the score, goes on. Four couples leap and walk, droop and race over the stage, and part of the choreography has the innocent springiness I associate with revivals of the sacred texts of early Denishawn dance of 60 years ago. It is decent, and unmemorable, and Tuckett has already shown us that he can do better things than this.

The problems of the Riverside space were very apparent in the revival of Richard Alston's *Dealing with Shadows*. It is a piece altogether too sprightly about a Mozart piano sonata, but when it was first seen at Sadler's Wells last year, ebullient performance gave it a superficial charm. In its present setting it looks diffuse and garrulous, and the choice of printed tops and beach trunks as costume makes the dancers seem like gigantic babies. The visual record of this season has not been happy.

Clement Crisp

The Seagull

LILIAN BAYLIS THEATRE

The most obvious feature of Mike Alfreds' version of *The Seagull* for the Oxford Stage Company is that it looks extraordinary, not because of any design-led flight of fancy but because of its conception of the people involved. The members of Chekhov's country house party appear like a cross between the background interest in a Renoir painting and a convention of Lithuanian nationalists. The men sport big-bottomed beards; the women are simply big-bottomed. Even the luckless seagull, bagged by the fretful Konstantin, is an albatross in all but name.

Biggest and brashest of all is Pam Ferris, whose Arkadina is no elegant Muscovite, bestowing her refined presence on her country estate, but a corpulent diva with an all-engulfing presence, who erupts into unconfined temper tantrums and as quickly erupts out of them again. When she steps on to her son's rickety little stage, after ridiculing his play off it, the structure shakes under her weight, its little proscenium arch no match for her voluminous coiffure.

One can well imagine her appeal to a restless spirit like Trigorin, who could simply bury his sense of inadequacy in her massive bulk; likewise, she makes it woefully clear why her son, Konstantin, has never grown up. Michael Mueller presents a man spiritually and materially squashed by a mother who bandages his head one minute and hurls insults at him the next. "While I'm aw:y, you won't go click-click again," she beseeches him. It is the nearest she gets to acknowledging his desperation, her choice of childish euphemism underlining her childlike refusal to face his attempted suicide.

The refusal is so complete that it makes a charade of her attempt to prevent Trigorin from leaving her for the younger Nina. This central scene, which anchors the characterisation of Arkadina to a sense that her day is past, loses its meaning when it is played by an emotional illiterate. She weeps, bullies and finally, having reduced Trigorin to hopeless tears, bustles off with a smug smile on her face, her sense of her own importance confirmed.

Alfreds' preoccupation with grandiloquence of emotion and gesture creates a sore problem for Irena Brook, whose visually lovely Nina – a gift for the declamation of Konstantin's sweet nothings – signally fails to gather the required stature along the way. Her reappearance, a fallen woman, in the final act is certainly not the stuff of tragedy as Arkadina would know it; this haggard little slip is merely pathetic – and rather less so than Caroline Quentin's slatternly Masha, whose capacity for melodramatising her misery gives her a sombre momentum.

So what of the men? One is tempted to leave them till last because they are so entirely dwarfed by the women. Nicholas Clay builds the character of the usually urbane Trigorin around a sphynx-like smile into his beard, as if the successful writer is lost for the appropriate words. It is as hard to imagine him indulging a casual amour as it is to envisage Roger Frost's skinny schoolmaster fathering Masha's family, or Ric Morgan's brusque doctor sustaining a 20-year liaison with Dawn Keeler's fluttery Polina. It is all interesting and different enough, until one starts to look for the Chekhovian heart.

Claire Armitstead

Frederick Douglass

NEW JERSEY STATE OPERA

Newark is a romantic and vital place, easily reached from New York by overground or underground train, architecturally explorable, ethnically diverse. The biggest Portuguese community outside Lisbon lives there. Italians abound. And opera in Newark is attended by an eager audience in which English is the last language overheard.

The only big new opera to have been staged in or around New York this season is Ulysses Kay's *Frederick Douglass*, which was put on by the New Jersey State Opera for a single performance in Newark's Town Hall. It's a grand Roman theatre, seating 2,700. One of the company's specialities is verismo – *Iris*, *Lodoletta*, *Zanetto*, *L'amico Fritz* – performed under a conductor, Alfredo Silipigni, who knows the traditions. Another is loyalty to singers abandoned by the Met: it was in Newark that I heard Birgit Nilsson sing her last Turandot, with Licia Albanese as Liù; and an *Attila* with Jerome Hines. This season a *Carmen* with Fiorenza Cossotto was billed, but it fell through. So did the second performance of a star-cast *Lombardi*, Bergonzi the tenor; I made the trek to Newark only to find a "Performance cancelled" sign on the door. Money had run out, as in this country it is running out for musical enterprise of all kinds.

But *Frederick Douglass* reached the stage, if only for a single performance. The Mayor of Newark, Sharpe James, appeared as a super. I wish I could write that it was a triumph; instead, I can find nothing to praise. I thought it an incompetent opera. Douglass – a hundred years ago this identifying would not be necessary – was an escaped slave whose oratory and whose published *Narrative* (Penguin keeps it in print) stirred both the US and Europe. The *Narrative* tells of a youth whose free, active mind rejected the notion that he and his fellows should be lifelong a white man's owned chattels. William Garrison, the great abolitionist, wrote truly that "he who can peruse it without a tearful eye, a heaving breast, an afflicted spirit, must have a flinty heart."

David Blake's *Toussaint*, Thea Musgrave's *Harriet*, and Anthony Davis's *X* have given differing examples of how such matter can be more worthily treated. By comparison with those operas, *Frederick Douglass* seems cheap and unworthy. Kay and his librettist, Donald Dorr, concocted a clumsy, long-winded drama – untrue to history, crudely and conventionally "operatic", wholly unconvincing – about how Douglass in his last years, ambassador to Haiti, was brought low by a conspiracy of Washingtonians resentful of a black man's eminence. Donizetti and Verdi would had have rejected it as ineffectual.

The libretto is poetastry, and Kay's music drones on and on in Puccinian arioso without Puccini's command of melodic gesture. Kevin Maynor sang the title role, and the veteran dramatic soprano Klara Barlow was Mrs Douglass. Should we hail the show as homage to an elderly black composer (Kay was born in 1917), or deplore it as time, money and talent spent on something artistically worthless and unworthy?

Andrew Porter

Ten new productions for Covent Garden

A new principal conductor and ten new productions for 1991-92 were announced yesterday by the newly ebullient Royal Opera House, Covent Garden. Edward Downes is taking over on September 1 as principal conductor from Jeffrey Tate. He will also function as associate music director, making life easier for Bernard Haitink.

These days "new" productions tend to have started life in some foreign opera house, but five of next season's repertoire will actually have been created in the House. They are Verdi's *Simon Boccanegra*, conducted for the first time by Georg Solti and directed by Elijah Moshinsky; a very early Mozart, *Mitrodate, rè di Ponti*, which opens on the actual centenary of his death in December, and a very established Mozart, *Don Giovanni*; a new production of Wagner's *Die Fliegende Holländer* to replace the one recently booed off the stage; and the first British professional staging of Rossini's comic opera *Il viaggio a Reims*.

The five "bought in" productions are Prokofiev's *The Fiery Angel*, never previously staged at Covent Garden; *Das Rheingold*, to complete the new *Ring* cycle; Meyerbeer's *Les Huguenots*; Bellini's *I Puritani* (the WNO production); and Britten's last opera, *Death in Venice*.

The general director of Covent Garden, Jeremy Isaacs, also placated his critics by announcing that he was asking many of the members of the chorus aged over 50 to take early retirement.

★

The Minister for the Arts, Timothy Renton, has asked the Arts Council to come up with savings of £1m on its devolution programme by May 17. He is unhappy with the few savings that have accrued so far from the policy of creating Regional Arts Boards with enhanced responsibilities.

So far out of a total Arts Council and RAB payroll of around 500 only 35 jobs are to be lost through the rationalisation. The Minister wants a 10 per cent cut in the payroll bill.

Mr Renton has approved the first Arts Council list of 28 devolved arts organisations but it is remarkable for the general unimportance of the companies involved. It includes Aldeburgh, going to Eastern Arts, and Northern Sinfonia, to Northern Arts. There is no mention of the big four London orchestras, the ICA, the Royal Court, or Manchester Exchange, all once earmarked for devolution.

It could well be that Tim Renton is not so keen as the Arts Council on devolution. The new Boards are being recruited but they start life, on October 1, not knowing whether they will handle the really major arts companies.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts Royal Concertgebouw Orchestra in music by Laman, Hindemith and Shostakovich. Sat at 15.00 Valery Gergiev conducts Shostakovich programme. Sat at 20.15: Haydn's The Creation (6718 345)
Muziektheater 20.00 Hartmut Haenchen conducts Johannes Schaaf's production of Die Fledermaus, also Sat (6255 455)

■ BARCELONA

Gran Teatre del Liceu 21.00 Donizetti's Il campanello and Leoncavallo's I Pagliacci, with cast led by Giuseppe Giacomini and Piero Cappuccilli. Sat and Sun: Romano Gandolfi conducts Schubert concert (412 1466)

■ BERLIN

DANCE
Komische Oper 19.30 Triple bill choreographed by Joachim Ahne, music by Ravel, Stravinsky and Durko (2292 555)
MUSIC
Staatsoper unter den Linden 19.30 Zar und Zimmermann, comic opera by Lortzing. Tomorrow: Siegfried Kurz conducts Der Rosenkavalier. Sat: new production of Madama Butterfly. Sun: Giselle (2004 762)
Deutsche Oper 20.00 Jiri Kout conducts Gunter Kramer's production of Katya Kabanova with Karan Armstrong in title role. Tomorrow: Trovatore. Sat: Zauberflöte. Sun: Natalia Troitskaya sings Tosca (3410 249)
Philharmonie Kammermusiksaal 20.00 Dennis Russell Davies conducts Berlin Philharmonic Orchestra in music by Dvorak and Stravinsky, with Hansjorg Schellenberger soloist in B A Zimmermann's Oboe Concerto, also tomorrow, Sat and Sun (2614 383)

■ BRUSSELS

Palais des Beaux Arts 20.00 Jose van Dam sings Mozart and Mahler with Liège Philharmonic Orchestra conducted by Pierre Bartholomee. Tomorrow: Belgian Radio Orchestra plays all-Russian programme (507 8200)

■ CHICAGO

Orchestra Hall 20.00 Daniel Barenboim conducts Chicago Symphony Orchestra in Boulez's Notations and Mahler's Das Lied von der Erde, with Waltraud Meier and Siegfried Jerusalem, also tomorrow and Sun at 15.00. (435 6666)

■ FRANKFURT

Alte Oper 20.00 Piano recital by Ivo Pogorelich, with music by Chopin, Ravel and Rachmaninov. Sat: Radu Lupu plays two Mozart piano concertos with Camerata Bern (1340 400)

■ GOTHENBURG

Konserthuset 19.30 Murray Perahia plays Brahms' Second Piano Concerto with Gothenburg Symphony Orchestra conducted by Hans Vonk. Repeated tomorrow at 18.00 (167000)

■ LONDON

MUSIC
Covent Garden 19.00 Gennadi Rozhdestvensky conducts Tarkovsky production of Boris Godunov, with cast led by Paata Burchuladze. Tomorrow: Zubin Mehta conducts Nuria Espert's new production of Carmen (240 1066)
Coliseum 19.00 Jerzy Maksymiuk conducts Don Giovanni with Peter Coleman-Wright in title role, also Sat. Tomorrow and Mon: Peter Grimes (836 3161)
THEATRE
This week's shows include Black Snow, a new play by Keith Dewhurst based on Mikhail Bulgakov's 1930s satirical novel on censorship in the theatre, in a production directed by William Gaskill (National), Onnagata, British premiere of Lindsay Kemp Company production mixing mime, ritual, theatre, dance and Kabuki (Sadler's Wells), Caryl Churchill's 1981 play Top Girls, a study of brilliant women of history in the context of their not-so-brilliant modern sisters (Royal Court) and Carmen Jones, Oscar Hammerstein's Bizet-inspired musical in a lavish production by Simon Callow (Old Vic). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Giuseppe Sinopoli conducts New York Philharmonic Orchestra in a programme including Mendelssohn's Italian Symphony and Respighi's Fountains of Rome, also tomorrow and Sat. Sun: Philippe Entremont is conductor and soloist with Vienna Chamber Orchestra (874 2424)
Carnegie Hall 20.00 Guarneri String Quartet plays Mozart, Hindemith and Tchaikovsky. Tomorrow: Rostropovich plays Schnitte's Second Cello Concerto with Boston Symphony Orchestra conducted by Seiji Ozawa. Sat: recital by Kathleen Battle. Sun: a celebration of jazz with Dizzy Gillespie (247 7800)
DANCE
Metropolitan Opera 20.00 American Ballet Theatre's new production of Coppelia choreographed by Enrique Martinez. Tomorrow and Sat: triple bill including Jiri Kylian's Sinfonietta (362 6000)
New York State Theatre 20.00 New York City Ballet in Peter Martins' new production of Sleeping Beauty. Runs till May 5. Spring season runs till June 30 (870 5570)
THEATRE
This week's shows include Gypsy, award-winning production of the musical with lyrics by Stephen Sondheim and the original choreography by Jerome Robbins (Marquis), I Hate Hamlet, Paul Rudnick's comedy about a young television star who is cast in the title role of a Shakespeare-in-the-Park production (Walter Kerr) and Other People's Money, Jerry Sterner's expertly-crafted play about the efforts of a New England community to protect itself against an unscrupulous Wall Street takeover specialist (Minetta Lane). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

DANCE
Palais Garnier 19.30 Opera Ballet in Giselle, production by Patrice Bart and Eugene Polyakov using the original choreography. Daily till May 11 except Mon, with matinee and evening performances on Sat and Sun (4742 5371)
Théâtre des Champs-Elysees 20.30 James Conlon conducts Orchestre National de France in Prokofiev's Romeo and Juliet suite, with Maria Joao Pires soloist in Mozart's Piano Concerto No 17. Sun: recital by Gil Shaham accompanied by gerhard Oppitz (4720 3637)
TMP-Châtelet 20.00 Eliahu Inbal conducts Ruth Berghaus' new production of Ariane et Barbe-Bleue, also Sat and next Tues. Tomorrow: Boulez conducts Varese, Lutoslawski, Bartok, Ravel and Frederic Durieux (4028 2840)
Salle Pleyel 20.30 Semyon Bychkov conducts Orchestre de Paris in Dutilleux's Second Symphony and Brahms' First Piano Concerto with Philippe Bianconi. Sat: the concert is repeated but with Beethoven's Eroica instead of the Dutilleux (4563 0796). The orchestra takes both programmes on next week's tour of Switzerland

■ VIENNA

Staatsoper 19.00 Gerd Albrecht conducts Schreker's Der ferne Klang, also Sun and Tues. Tomorrow: Eva Marton sings Salome. Sat and Mon: Abbado conducts Khovanshchina (51444 2960)
Konzerthaus 19.30 Song recital by Ann Murray accompanied by Graham Johnson. Tomorrow: Cimarosa's Il matrimonio segreto. Sat: Ingo Metzmacher conducts Zemlinsky's Lyric Symphony. Sun: Heinrich Schiff joins Hagen Quartet in music by Shostakovich and Schubert (7124 6860)

■ WASHINGTON

Kennedy Center Concert Hall 20.30 Yan Pascal Tortelier conducts National Symphony Orchestra in Berlioz's Symphonie Fantastique and Ravel's Left Hand Concerto, with Cecile Ousset, also Sat and next Tues. Tomorrow: Aprile Millo sings opera arias. Sat: Vienna Chamber Orchestra and Philippe Entremont in all-Mozart programme (467 4600)

■ ZURICH

Tonhalle 20.15 Yoav Talmi conducts Tonhalle Orchestra in Bartok's Miraculous Mandarin suite and Schumann's Second Symphony, with Vladimir Ovchinikov soloist in Liszt's First Piano Concerto. Fri: Alban Berg Quartet (201 1580)
Schauspielhaus 20.00 New production of Friedrich Hebel's tragedy Judith, also Sat and Sun. (251 1111)

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Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Days of hope in Moscow

SUDDENLY, there is hope in Moscow. The statement agreed between the leaders of nine republics – crucially including Mr Boris Yeltsin of Russia – and Mr Mikhail Gorbachev, the Soviet president, offers the best possibility in months for ending the zero-sum games which have been the stock-in-trade of Soviet politicians.

They have agreed that they must, as soon as possible, sign a new union agreement, adopt a new union constitution and then hold elections for the union parliaments and perhaps the union presidency. But with that, they have explicitly said that those six republics which appear determined to pursue an independent course and not sign a union agreement, and which did not send their leaders to Tuesday's meeting, have the right to do so.

At the same time, they warn that those which sign will establish a common economic space, within which "most favoured nation" status will prevail. The implication is that non-signers will be on the same footing as former fraternal allies in eastern Europe: that is, they can go, but they must then pay hard currency for Soviet oil, gas and other products. This will be hard, but it looks like freedom: an end to the "internal Brezhnev doctrine".

They have agreed, too, that the anti-crisis programme which Mr Valentin Pavlov, the prime minister, laid before the Supreme Soviet on Monday will be supported and that the strikes now paralysing important parts of the Soviet economy should end. Mr Yeltsin seems ready to lend his authority to the restoration of industrial peace.

Step forward

This is a big step forward. Most of these republican leaders are increasingly powerful figures, so the deal, if it sticks, marks both a further coup for Mr Gorbachev's political skills and an indication of their own sober sense that they must, in these hardest of times, hang together if they do not wish to choke separately.

But it is Mr Yeltsin's signature on the document with Mr Gorbachev's which represents the main political breakthrough. The Russian leader will, in seven weeks' time, run for the presidency of Russia. His previous calculation, that his popularity would increase in inverse proportion to the fall in Mr Gorbachev's seems to have yielded to an appreciation that if he blows too hard, down will come Gorby, Boris and all. If the two most powerful politicians in the Soviet Union can suppress their personal dislike in favour of a political accord with clearly stated aims, the Soviet Union may have a period in which it can peacefully dis-unite.

Western aid

Such an accord is essential if the country is to receive any of the western aid, investment and technical assistance it must have.

There is, however, another large question: is the reform which the republican leaders have agreed to support – the anti-crisis plan – actually serious? Mr Pavlov says he wants to use the power of the state to effect necessary sacrifices, steady the currency, balance the budget and increase production. He has recognised explicitly that a socialist economy with no fear factor cannot work.

But he also plans (small) privatisations this year and larger ones next. He urges entrepreneurial behaviour. He has already pushed through price rises, and has even freed some from state control.

There is much room for doubt. Many – not all – of the radical economists associated with a more rapid dash for the market distrust Mr Pavlov deeply: after all, as finance minister, he was responsible for debauching the currency. He talks too easily of coercion, of states of emergency and of force.

But if, in the fleshing out of his programme, he really is prepared to bequeath decision making to the market-oriented republics and, more importantly, to the enterprises; if he really can provide some space for market behaviour and not simultaneously woo it and beat it, as Mr Nikolai Ryzhkov, his predecessor, did; if he can keep the apparatus at bay – then he may prove to be a reformer after all. And then the Soviet economy may have a chance, even if it is a slim one.

A plea for the motor industry

THERE was a time when a high-powered delegation from the UK-based motor industry to Downing Street could induce a strong attack of nerves even in relatively thick-skinned ministers. Not so today. When the gentlemen from Ford, Vauxhall, Peugeot Talbot and Rover paid a visit yesterday to the Chancellor of the Exchequer, they were clearly anxious not to be seen as one more lobby group bent on presenting a shopping list. So much so that it is tempting to wonder whether they may not have under-sold their case.

Ostensibly, the visit was made in order to establish whether there had been an adverse shift in policy towards the motor industry, following a budget which launched a vigorous assault on company car benefits, raised the rate of VAT and increased fuel tax. Such modest ambition, if that is what it was, looks entirely realistic. Not only have successive Conservative chancellors reduced the emphasis upon manufacturing; they have also taken a relaxed view of balance of payments deficits which are heavily influenced by motor industry performance and, with obvious exceptions, adopted a robust stance towards special interest groups.

Lamont hostile

Even so, the thrust of the industry's approach hardly looks well directed. Mr Lamont has already shown himself instinctively hostile to trade associations that fail to present a strong economic case. And it is hard to argue with those of his budget measures that most rankle with the motor industry, notably the introduction of national insurance contributions for employers on company cars, together with scale charge increases. For travelling salesmen, the company car is a genuine business necessity. For most company executives it is simply a perk and an economically inefficient perk at that, in that it distorts and diminishes choice. Companies buy more expensive cars for their employees than those employees would choose to buy from taxed income. The type of the car may also be dictated by status in the firm rather than personal preference.

One of the more welcome features of the Thatcher years has been the reduction in the top marginal rates of income tax that made reliefs for fringe benefits so attractive in the first place. The system has progressively moved from one in which people were rewarded with allowances and reliefs for belonging to particular groups – pensioners, farmers, parents or senior managers with cars – to one where the rewards are increasingly granted for the expenditure of productive effort. The real question is whether the assault on company cars should be extended to other perks.

Powerful case

So much the better, then, that Mr Lamont told the motor industry leaders that he would consider doing precisely that. He also indicated that he would look at the question in the context of the overall tax burden, which makes equally good sense. And it is here that the motor industry, with support from the Commons trade and industry committee, has a powerful case to make. The 10 per cent special car tax, which is charged on the wholesale price of a car, is unquestionably discriminatory. There is no reason why cars should be penalised relative to washing machines other than that the exchequer wins large revenues.

Nor does the tax make wider economic or environmental sense. By choosing to increase the initial cost rather than impose the burden on fuel consumption the government simply reinforces the pressure for congestion: once the purchaser has bought the car at the inflated price, the marginal cost of road use is insignificant. Shifting the burden onto fuel consumption would have the additional advantage of encouraging the public to trade up from older, fuel-inefficient cars to modern vehicles with better environmental credentials. Ideally such a change should be accompanied by an assault on industry-restrictive practices that result in retail buyers in Britain paying up to 30 per cent more than many continental Europeans for their cars. The opportunity may come when the Monopolies Commission reports on the issues later this year.

Michael Prowse on the significance of US education reforms

America's class act

"Think about every problem, every challenge we face today. The solution to each starts with education" – President George Bush unveiling the America 2000 Strategy.

There is a scene in My Fair Lady in which Professor Higgins begins to dance about, unable to contain his delight. "I think she's got it!" he exclaims as Eliza Doolittle, his pupil, starts to talk like a lady.

It would be an exaggeration to claim that President Bush has suddenly got the hang of educational reform. But the bold strategy outlined last week has put congressional Democrats on the defensive and delighted some educationalists. Mr Albert Shanker, of the American Federation of Teachers (and no particular friend of the White House), was not happy with every small detail. But he graciously described the package as a "major turning point in the history of American education". No previous US president, he said, had taken such a detailed interest in the future of school education.

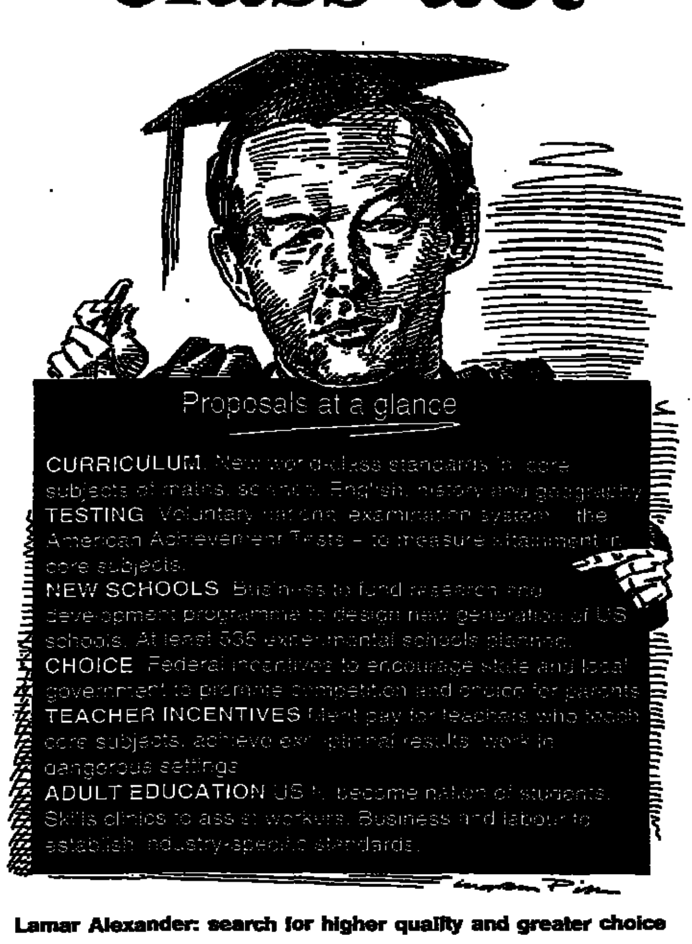
Mr Lamar Alexander, Mr Bush's eloquent education secretary, can claim most of the credit. Unlike many cabinet appointees, Mr Alexander knows his subject: as governor of Tennessee in the 1980s, he was one of the first state leaders to recognise the importance of school reform.

The America 2000 programme bears a striking – if unacknowledged – resemblance to the UK educational reforms of the last Thatcher government. The Thatcher strategy had three main elements: a new national curriculum; measures to promote competition and parental choice; and business-funded schools to "break the mould" of bureaucratic local authority schools.

Each element is precisely mirrored in the White House plan. The main difference is that Mr Bush lacks a British prime minister's powers. The US constitution grants state and local governments primary responsibility for education. Federal educational spending accounts for only about 6 per cent of the total school budget. With few direct powers and little financial leverage, Mr Bush must rely heavily on his powers of persuasion.

The parallel to the UK's national curriculum is a set of new "world standards" to be developed in each of five core subjects: English, maths, science, history and geography. Mr David Kearns, the deputy education secretary and former president of Xerox, argues that US businesses began to make progress in the 1980s only when they started comparing themselves with "the best in the world". US schools are now being set the same challenge.

To measure performance in the core subjects, Mr Bush is planning the first national examination system in US history, to be known as American Achievement Tests. These will be taken at the ages of about 10, 14 and 18. National tests could make a substantial difference: for the first time it will be possible to compare performance not only between school districts but between states. In future, Mississippi parents will be aware if their children's results are lower than those of students in New York or California or – in theory – Tokyo.



Lamar Alexander: search for higher quality and greater choice

Critics argue that national tests will kill educational diversity and inhibit teachers. They say US children are already burdened with too many tests. Mr Alexander's response is convincing: the new exams will replace, rather than add to, existing tests. They are intended to be of a higher quality than the multiple-choice quizzes on which most American children are reared: students will be expected to write essays and solve complex mathematical problems as is commonplace in Europe and Japan. "Teaching to the test" may, therefore, promote better teaching. Finally, students in different states may not need to take the same exams: different tests calibrated to the same educational standards (rather like different A-level exam boards in England) may be used.

For constitutional reasons, the national tests will be voluntary. But colleges and employers will be encouraged to use them for selection purposes. Presidential citations will be awarded to students who do exceptionally well.

The second main plank in Mr Bush's strategy mirrors UK efforts to promote competition between schools. The Thatcher government passed legislation in 1988 giving parents a wider choice of schools within local authorities. Schools were also given the right to "opt out" of local authority control and be funded directly by Whitehall.

Mr Alexander would love to possess such powers. "I don't know how we ever got into this situation in America of denying a broad choice of schools to parents," he says. "Everything else in America we choose: our cars, our cities, our jobs, where we live." Eight states have already passed "school choice" reforms. But the administration intends to inject momentum into the choice movement by offering about $200m in incentives to states and local governments that pass legislation promoting competition. Mr Alexander also wants to revise the federal government's $6bn programme for disadvantaged and under-achieving pupils (known as Chapter 1) so that "federal dollars follow the child to whatever extent state and local policies permit".

Measures to permit greater choice among public schools are likely to be grudgingly accepted, although there is little evidence that they raise educational standards. Critics rightly worry that schools may end up selecting pupils rather than parents selecting schools. If that happens, the already troubling segregation by race and class caused by distinct black and white residential districts could be exacerbated.

What most alarms critics, however, is the suggestion that, as a result of choice policies, public money might flow to private and Catholic schools. Mr Alexander points out that the GI bill subsidising the college education of ex-servicemen after the Second World War did not stipulate that the money must be spent in the public sector. By analogy he would like disadvantaged children to be able to spend Chapter 1 dollars in private schools. Opponents say this would wreck the finances of already underfunded inner-city public schools.

The third main element in the Bush strategy closely parallels the British city technology colleges initiative. The Thatcher government sought business backing for the creation of new schools that would act as "beacons of excellence" for the public sector.

Mr Bush is doing the same – only on a grander scale. Under the plan, the business community will raise $150-$200m to fund the New American Schools Development Corporation, a new non-profit organisation. This will award contracts next year to between three and seven research and development (R&D) teams drawn from companies, universities, think tanks and others. The R&D teams' task will be to "re-invent the public school". The goal is to have at least 535 new-style schools – at least one for each congressional district – in operation by 1996.

It is easy to mock the notion of "reinventing" public schools. But the plan has real potential: schools are arguably one of the few institutions that have failed to adapt to great social and economic changes in the 20th century. Mr Alexander expects the R&D teams to begin by "erasing all conventional assumptions and constraints" about schooling, such as the calendar and schedule, the curriculum, the class size, and the nature of learning materials. The only constraint is that the new schools should achieve the standards set in the new national exams at a cost no greater than that of conventional schools. US ingenuity just might produce an educational innovation the rest of the world will want to copy.

Mr Alexander carefully describes the reform package as a "national strategy" rather than a federal policy. At a cost of only $690m, the programme can hardly be said to be usurping the educational role of the states. There are certainly big omissions: the White House is offering neither new money nor new ideas in the vital area of pre-school education. It is doing nothing to reduce vast disparities in educational spending in rich and poor districts (it is not even trying to shame states into making equal educational opportunity a reality). But some of the proposals – particularly national exams and research into new schools – deserve congressional and state support.

The strategy cannot hope to raise educational standards quickly: no policy framed in Washington could do that. But there are enough ideas to take the bite out of criticism that Mr Bush lacks a domestic agenda. To the consternation of Democrats, the "education president" is in danger of living up to his name.

BOOK REVIEW

To the best of his belief

GLOBAL RESPONSIBILITY: IN SEARCH OF A NEW WORLD ETHIC
By Hans Küng
SCM Press £12.95, 158 pages

This is a small mountain of a book. Its sides are steep and climbed only with frequent pauses for breath, but the view from the top is worth the exertion.

The difficulty of the climb stems from the author's ambition. Hans Küng, the prolific Catholic theologian whose teaching licence was withdrawn by the Vatican in 1979, uses this short work to outline his plan to spend the coming years examining the history and theology of Christianity, Judaism and Islam in pursuit of a secure, ethical basis for world peace. The spirit of the enterprise is captured in the book's German title: *Projekt Weltethos*. What a project!

But this is not a book for a closed theological fraternity. Dedicated to a former Bundesbank president, one chunk of the thesis was shared with a momentous meeting of the Davos World Economic Forum in February 1990.

In style, the book swerves between brilliantly compressed summaries of, for example, theories of world history (Hegel to Toynbee) and slideshow slogans. Its final words read:

- no human life together without a world ethic for the nations;
- no peace among the nations without peace among the religions;
- no peace among the religions without dialogue among the religions.

Küng's thesis states that "our new, post-colonialist, polycentric age, in post-modernity" needs an agreed ethos which only religion can provide; post-modernism, in his view, set in about 1918. Among its identifying features are technologies capable both of drawing people together (telecommunications) and destroying the planet (nuclear weapons and environmental mismanagement). And yet in this world of information overload, there is a simultaneous tendency for old individualisms, cultures, nationalisms and religions to re-assert themselves, most powerfully and obviously in the Islamic world.

Küng accepts that "those who have no religion can also lead a life which is authentically human and in this sense moral", but he argues that without religion there is no absolute or unconditional reason to adhere to or to require adherence to religion's essential tenets: don't kill, don't lie, don't steal, respect parents, love children and avoid immorality. Only religion, he says, has shown itself capable of leading and influencing whole populations, regardless of background and education.

Although Küng's unmistakably central European timbre betrays a hint of the evangelist, he makes a specific pitch for unbelievers to join this great dialogue on the grounds that even if you resist the claims of belief, you cannot deny the political and social importance of the fact that millions do believe.

Küng thus seeks at once to be open-minded, but loyal to his own creed: steadfastness and self-criticism are the essential qualities he identifies for the task ahead.

What, though, is the common threat which binds the great religions? For Küng, the answer is "the humanum", or basic human values. "Religion," he writes, "is true and good to the degree that it serves humanity, to the degree that . . . it advances men and women in their identity, sense of meaning and sense of dignity, and allows them to attain a meaningful and fruitful existence." The thread is thus clearly aspiration rather than achievement, and perhaps even as aspiration it is too much the work of a post-Englightenment European mind to carry the weight the author gives it.

It would be wrong, however, to imply that Küng is unaware of the Eurocentricity of his intellectual heritage. He rejects both Hegel's and Spengler's seminal theories of history partly on the grounds that they ignore or marginalise Judaism and Islam. Arnold Toynbee, the British historian, is viewed more favourably, but still found wanting in his groping for some synthesised "world religion". Küng is surely right to recognise that religions will remain stubbornly factional; the best that can be hoped is that they learn to love dialogue more than they enjoy militancy.

As we look from Prof Küng's mountain top, it is not surprising to see patches of haze. In his opening survey of the state of the world, for example, he dismisses Japanese moral and spiritual life with a superficiality which seems over-influenced by newspaper stories about recent scandals in politics and business.

But mostly, we should be thankful for Hans Küng and his motivating judgment, that religion remains decisive in human affairs and that peace, if it is to be found anywhere, lies along the road of intelligent and well-researched dialogue. Küng, an antidote to the conservatism of the current Vatican, is the kind of intellectual the late 20th century needs; thorough, engaged and with a global perspective.

Towards the end of the book, he mentions in passing the great protestant theologian, Paul Tillich, who gave a lecture in Chicago in 1965, recognising the need to re-work a lifetime of systematic theology in the light of his emerging understanding of world religion. Ten days later, he died. As Küng approaches his mid-sixties, with *Projekt Weltethos* before him, we can only wish him a long and active old age.

Ian Hargreaves

OBSERVER

Buggin's turn

■ They used to say that behind every Polish minister there stood a Soviet adviser. It now seems the Soviet official has been replaced by a pinstriped London merchant banker.

S G Warburg has just been been given the plum job of advising the Poles on mass privatisation. The UK government has promised to reimburse the costs through its "know-how" fund, a gigantic system of outdoor relief for the City. So the Poles could hardly have chosen a non-British bank like Morgan Stanley.

But why Warburg? Since no one has ever before contemplated returning 8,000 or so companies to the private sector, there is nothing in Warburg's record to suggest it is any better equipped than any of the other obvious contenders who also have Polish speakers on their staff.

It sounds like yet another example of buggins's turn. But if the powers that be aren't careful, the UK Government is going to be accused of having a favourite merchant bank.

Stepping back

■ Imelda Marcos, barred from returning to the Philippines to retrieve her 3,000 pairs of shoes, won't be collecting the secretary-generalship of the UN either.

Although invited to stand as a nominee, she has told the International Association of the Friends of the United Nations – a New York non-profit organisation – that her UN experience is inadequate and her "primary duty" is to her country and her people.

Her letter nevertheless adds that she can act in some other capacity with the UN or in the Philippines and is ready to serve "the cause of Humanity".

In the interim, her first concern is returning to her country to bury her husband Ferdinand, the late dictator. President Corazon Aquino, who overthrew him in 1986, has promised to allow his widow back before year end in line with a Swiss court ruling unfreezing Marcos bank accounts worth $350m unless she is given the chance to return and defend herself.

Even so, her aides wonder if she will dare to take up the offer and so face allegations that she and her husband stole billions of dollars during their 20-year rule.

French strings

■ How important it is for top managements to keep their finger on the pulse of governments as well as trade interests was highlighted by Cadbury Schweppes chief executive Dominic Cadbury when giving evidence to a House of Commons select committee yesterday.

Recalling the run-up to his group's £94m takeover of French confectioner Chocolat Poulain in 1987, he said: "We had to get agreement from a government department in Paris that was concerned about the portion of cocoa beans purchased and that we would continue to purchase from the Ivory Coast."

If his group hadn't agreed to co-operate, he added, the merger might never have been.

Rescue mission

■ Why is Stanislas Yassukovich, one of the grand old names of the euromarkets, joining the board of the Bristol and West Building Society?

After a high-flying international banking career with the likes of White Weld and Merrill Lynch, his appointment to the board of a second division UK building society seems a bit of a come down. Of course, Yassukovich, who

"I'm leaving and going to live in our second home."

has always had a much wider range of outside interests than the average Eurobanker, does not see it that way.

His estate is in the Cotswolds and he says he is getting increasingly interested in retail financial services. For the Bristol and West, desperate to get back into the race with the nearby Cheltenham and Gloucester, Yassukovich is quite a catch.

There have been persistent rumblings of discontent amongst shareholders about the inbred board and it was expected to resurface at the society's annual general meeting on Monday. Yassukovich's appointment should defuse it once and for all.

Pulling power

■ Dr Peter Williams has made an attractive start as chairman of Oxford Instruments Group by announcing an order for what may be the world's biggest superconducting magnet. Doughnut-shaped and measuring about 5 metres across, it will play a key role in physics experiments by the US Energy Department at Newport News.

Williams, a physicist of 46, has been Oxford Instruments' chief executive since 1986. With Sir Austin Pearce's retirement, he also shoulders the chairmanship of the diversified electrical engineering concern.

The order, due for delivery in 1994, is worth over £3m. But Williams has an ambitious eye on a still bigger American physics experiment called the Superconducting Supercollider, being planned by the US Government in Texas. The Oxford Instruments chief says at least half the cost – put at nearly £5bn – will go on some 7,000 superconducting magnets.

The US electrical industry looks sure to get the lion's share. But Oxford is one of seven chosen suppliers of superconducting wire worth around £295m, and has been approached about building some of the trickier magnets.

While they're not expected to pose production problems, Williams wouldn't be caught defenceless if they did. A customer in Japan once paid Williams the compliment of saying they had never known a foreigner apologise so graciously in Japanese for his company's falling behind time.

Steam age

■ The high-tech Blue Arrow trial, expensively kitted out with electronic widgetry to help the jury, continues to be undermined by steam-age technology.

After a week when the air-conditioning wafted the smells first of boiling rice then onion soup into the courtroom, the system packed up completely yesterday, prompting Mr Justice McKinnon to rule the consequent fug too much for the court to bear.

Meanwhile, the judge's war of nerves with the noisy builders next door shows little sign of abating, despite his proposal on one occasion that the court clerk should deal with "these rogues" by pulling the plug on their power supply.

ECONOMIC VIEWPOINT

A country with a fix-price culture

By Samuel Brittan

When unemployment exploded in the early 1980s and then continued to climb more gradually, ministers suggested that the phenomenon was related to excessive pay increases. Indeed, the Treasury issued a mustard-coloured paper, The Relationship between Employment and Wages, in January 1985, with the unusual by-line "Review by Treasury Officials", presumably to show respectability.

Respectable or not, the thesis is true – although there is much room to argue about how far the trouble is with money wages, how far with real wages and how far with something more elusive, like real pay objectives.

The Treasury paper, written when ERM was under veto, concentrated on real pay and estimated that for every 1 per cent it rose above some appropriate level, employment would fall by ½ to 1 per cent (other things being equal, which they are usually not).

Ministers were, therefore, puzzled and almost embarrassed when unemployment virtually halved, falling from 11.1 per cent of the workforce in 1986 to a low of 5.6 per cent in 1990,

The UK is by and large a fix-price economy, where pay and prices are slow to respond

without any visible wage moderation and indeed some modest reacceleration as the last boom got going.

The answer to the puzzle is, I am afraid, that part of the fall in unemployment in the late 1980s was unsustainable. Economists who had no political axe to grind hesitated to say this for good reasons.

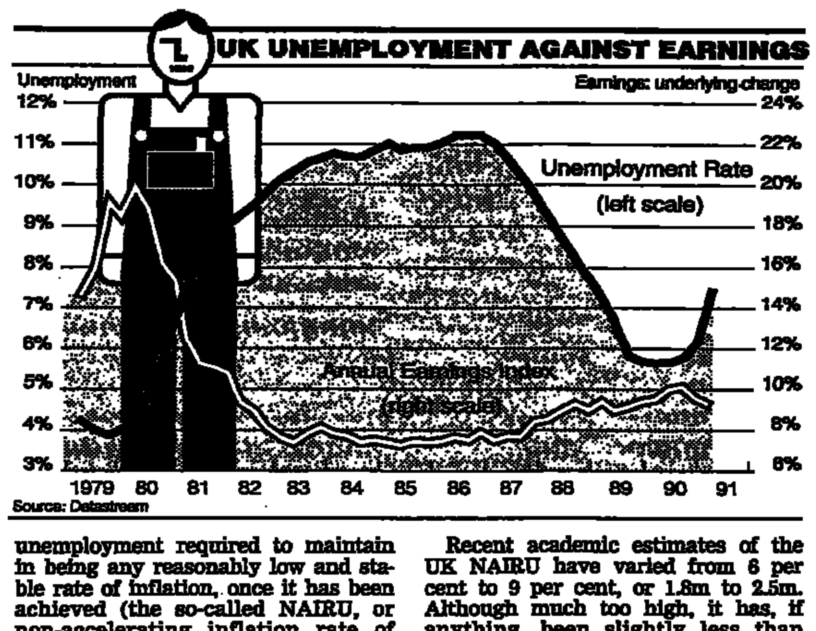
They hoped that there had been a sufficient productivity breakthrough, and not just a temporary boom-related upsurge, to raise the warranted rate of pay growth consistent with high employment. They also hoped that the labour market had become more flexible – that is, more responsive to supply and demand changes – so that pay would respond to any required application of the economic brakes without having to endure agonies of massive unemployment first.

These hopes have obviously proved too optimistic, but more definitely on labour market flexibility than on productivity. The official estimates showing annual UK labour cost increases of 11 per cent, based on a 2 per cent fall in productivity for the whole economy are as suspect as the trade figures were before the statisticians found missing invisibles (see below).

Productivity has always moved with the business cycle; but the statisticians may well have underestimated even year-on-year productivity, which the CBI puts at nearly 4 per cent in manufacturing. Even with that correction, British labour costs are still rising by about 5 per cent, compared with 1 per cent in Germany.

The real disappointment is that pay should have taken so long to respond to the slowdown in demand which has been going on for more than two years. Employers and unions appear to have responded not to fundamentals but to a backward-looking glance at the headline Retail Prices Index.

There are two aspects of perverse labour markets. One is the rate of unemployment required to maintain in being any reasonably low and stable rate of inflation, once it has been achieved (the so-called NAIRU, or non-accelerating inflation rate of unemployment). The second relates to the even higher transitional unemployment costs of moving from one rate of inflation to a lower one.



Source: Datastream

Recent academic estimates of the UK NAIRU have varied from 6 per cent to 9 per cent, or 1.8m to 2.5m. Although much too high, it has, if anything, been slightly less than actual average EC unemployment. The real British disease has been the even higher transitional unemployment required to achieve each percentage point reduction in inflation.

The late Sir John Hicks used to distinguish between flex-price and fix-price economies. Flex-price economies respond to a slackening of demand by reductions in pay and prices or in their rate of increase. In fix-price systems, wages and prices have a large inertia and adjustments are made by means of quantity. Stocks pile up, outside purchases are curtailed, and workers are laid off.

The UK is by and large a fix-price economy. This is shown not only in the stickiness of wage inflation, but of price inflation too in many sectors. Employers respond to difficulties by cutting outside purchases, trimming staff; but they reduce list prices or wages only as a last resort.

Eventually, of course, prices and margins do get trimmed and pay increases do come down to what the international competition can justify. But after a painfully long interval when many jobs have disappeared.

Gavyn Davies of Goldman Sachs is very likely right in pointing to the parallel with the corresponding stage of the 1980 recession when both the headline RPI and pay settlements suddenly fell with astonishing speed – the latter from 16½ per cent to 9 per cent in the course of the year. This time Davies expects a drop from 10 per cent to 7½ per cent. The headline RPI will not, of course, be the basic cause of wage de-escalation, but the fig-leaf which will be used to justify it.

But what a cost this fall in pay settlements will have exacted on both occasions. Unemployment is now rising by some 300,000 a quarter and is likely to be within spitting distance of 3m before the rise tapers off, even assuming a gradual recovery from recession from mid-year onwards.

Eventually ERM membership should acquire enough credibility to speed up these adjustments. In any case a change in business culture is as important as changes in laws and incentives. The Thatcher years may have laid the ground for this change. But it has not yet happened.

Quite a time for teenagers

This has been quite a time for the economic teenagers – those who rush to dramatic but volatile conclusions on the basis of ephemeral indicators. At the end of last week there were cries of "credit crunch" on the basis of a one-month drop in seasonally adjusted bank lending this March to £0.7bn (or 0.1 per cent) compared to an average of £5bn in each of the preceding six months. A reduction of base rates, we were assured, was now urgent.

Then on Monday there was the opposite alarm. The volume of retail sales in March rose by 3.7 per cent above that of February. Now we were told that base rate reductions must be put on hold in view of the vigorous rebound in consumer spending.

Both conclusions were of course absurd. Next Tuesday we will have the Bank of England's analysis of bank lending on a three, six and 12-month basis. It has already told us that, on any of these bases, narrow money (M0) is well within, but not below, the government's target range. Broad money, which the government does not target, has been growing by between 6.8 and 9.9 per cent per annum – if anything, reassuring compared with the double-digit rates experienced for so long.

The idea of a retail sales boom is even more absurd than the opposite one of a credit crunch. The main reason for the March upsurge was, of course, the desire to beat the April VAT increase. A secondary factor was the early Easter. On a slightly longer view, sales volume fell smartly in the final three quarters of 1990 and recovered very slightly in the first quarter of 1991 to end up half a per cent lower than a year ago. In other words, sales are just about dragging themselves off the bottom.

The trade figures are not now as fashionable as credit and retail sales. This is partly because the recession has reduced imports, while the discovery by the Central Statistical Office of hitherto unrealised invisible earnings has diminished the current deficit by some £6bn per annum.

Nevertheless, teenagers found the estimated March current deficit of £432m "disappointing" and "double your money". Why? Because it was twice as high than February's erratically low deficit and because the so-called market consensus was for a deficit of £300m. This latter guess was simply the average of the previous five months; and the actual shortfall from it was very well within the normal range of variation. The entire deterioration is due to a swing from an erratically high surplus in volatile items, such as aircraft and precious stones in February, to an erratically low one in March.

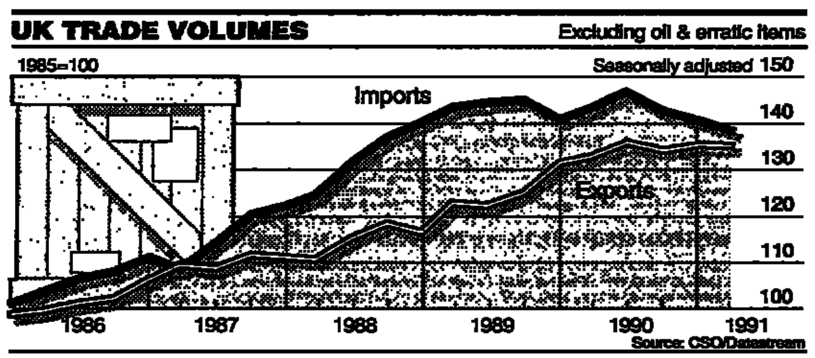
If we look at quarterly export volumes, and exclude oil and erratics, they have been roughly level pegging since the second quarter of 1990, with small fluctuations in both directions. Imports, on the other hand, have been very gradually declining with economic activity.

Arguments about the importance or otherwise of the balance of payments will well up again with economic recovery and will not be stilled until there is a single European currency and no intra-European payments figures. Roll on the day.

EFFECT OF REVISIONS
Current balance £bn (At annual rate)

..	Old	New
1989	-19.8	-19.9
1990	-16.0	-12.8
1990 1st half	-19.2	-19.0
1990 2nd half	-12.9	-6.6
1991 1st quarter	–	-5.8

Source: CSO



Source: CSO/Datastream

LOMBARD

Hiccups over monetary growth

By Peter Marsh

TECHNIQUES to monitor monetary growth across Europe will be vital to the operation of the new European central bank, due to be set up during the final stages of economic and monetary union (Emu). Officials at the Bank of England, in conjunction with other European central banks, are working on a novel, highly secret approach to this subject. The FT has stumbled upon a Bank briefing paper on the project, part of which we reproduce here.

The European Aggregates Targeting (EAT) programme is aimed at finding monetary indicators that will faithfully monitor changes in the pan-European economy. That is no mean task, given the range of economic and cultural conditions across the continent.

Britain's role in EAT can be traced to the mid-1980s. Disillusioned with the performance of existing monetary aggregates, a small team of Bank officials started work on a Grand Unifying Theory (GUT) of monetary targeting. The group explored new thinking that went beyond conventional monetarist economics. It drew on people skilled not just in this field but in biochemistry, an area where Britain has a world reputation for innovation.

The GUT team's radical approach paid off with the theory that changes in the UK money supply could be modelled on genetically-induced interactions during the digestion of food. The influences of genetic programming on this process were found to be similar to the way that factors such as wage claims, unemployment and production efficiencies affect the money supply.

The practical relevance of the GUT ideas was established in a programme of tests, which used human volunteers with a range of genetic characteristics. Virtually all aspects to the trials were satisfactory. Outbreaks of inflation were characterised in the GUT model by localised physiological disturbences. Ingestion of specific foods accurately simulated external economic shocks; lobster for an England cricket victory, rice pudding for an oil-price rise and a well-grilled steak for a broadside from the Bundesbank on price control.

More quantitatively, the studies held out the prospect of a new regime of monetary indicators – code-named Biological Universal-Rule Parameters, or BURPs – which would be far better than any previous monetary aggregates.

Mr Nigel Lawson, then chancellor, was elated with the project's success. But Mrs Thatcher, then prime minister, was more sceptical; apart from her own personal disagreements with Mr Lawson, she had little confidence in the practical capabilities of UK biochemists, whom she had never forgiven for failing to patent monoclonal antibodies.

After Mr Lawson resigned in 1989, the GUT work foundered – until Mr John Major took over as prime minister and recognised its significance to Emu. Mr Major, whose straightforward eating habits based around a liking for ice cream and brown sauce are well known, was instinctively attracted to the GUT concept. He also seized upon the work as a demonstration of how Britain could use its capabilities in the monetary field to the benefit of Europe, following up the UK's pioneering studies on the hard Ecu currency. After Mr Major broached the matter over dinner with the other European heads of state, EAT was born.

EAT has led to the establishment of several loosely linked projects across Europe. Germany, France and Denmark have led the way with a joint effort, the Strategic Alliance Aimed at Monetary Indicators (SALAMI). Italy has its Provisional Attempt at Short-Term Aggregates (PASTA) project, while Spain is working on the Critical Inflation-Target Reduction Scheme (CITRUS).

EAT has found that, despite the cross-border differences in genetic programming and eating habits, the same basic theories hold across the entire continent. Although it is too early to be sure, we can hold out the hope that ultimately EAT will produce an all-encompassing monetary index for Europe, provisionally labelled the Highly Operational Target Aimed at Inflation Reduction, otherwise known as HOTAIR.

LETTERS

Sophistication of the Polish consumer

From Mr André Spark.

Sir, Although I am unable to devote the time necessary to refute each point James Morgan addresses in "Poland wakes to the day of the deal" (April 13) let me bring just one of his mis-statements to light. In his attempt to characterise Polish consumers as unsophisticated and naive, Mr Morgan writes that Poland is filled with "goods well past their sell-by dates, which are incomprehensible to most Poles. The labelling of these goods comes in any language but Polish".

For a few weeks last year I conducted an economic experiment by working as a street-side vendor in Warsaw. After all, how could I claim to offer economic advise to Poland without a real, first-hand knowledge of the nuts and bolts of the Polish economy? So I joined the crowd of Polish traders on the night train to west Berlin, stocked up with several crates of Dutch chocolates, returned to Warsaw, and set up shop on Marszalkowska Street. The first thing that virtually every potential customer did was bring my attention to the expired sell-by date. It was the worldly American who had unwittingly purchased outdated merchandise.

Likewise, with the ski jackets I was selling the next week. Although "Made in China" does not look much like "Wyprodukowano w Chinach", it was universally understandable – and unfortunately not much of a selling point.

It is the clever entrepreneurial spirit of the Poles, not their desire to cheat and exploit, that will lead to Poland's return to "western" Europe.

André Spark,
adviser,
Ministry of Privatisation,
Warsaw,
Poland

Water meters – a fair but costly option

From Mr M. R. Hoffman.

Sir, Mr D. A. Fagandini is quite right (Letters, April 20) to point out that substantial cost savings are possible with a water meter, though much depends on the size of the property concerned and the customer's consumption.

Thames Water has regularly told its customers about the meter option. We give details every year with our billing document and our customer service staff will offer advice to anyone who calls.

We believe that metering is the fairest option but it would be vastly expensive to meter all private premises in our region. This is especially true in London where installation costs could be as high as £1,000 per property because of the need to separate supply pipes. This should be seen against an average household's annual bill of £130 – among the lowest in the UK, and Europe.

Our price rises – up to 4.5 per cent above inflation for the next five years – are necessary to correct years of under-investment. Our aim is to give customers one of the best water and sewage services in Europe and meet the highest environmental standards.

M R Hoffman,
group chief executive,
Thames Water,
14 Cavendish Place, W1

Britain's march from a social market economy

From Dr Bryn Jones.

Sir, David Marsh ("A hard act for Britain to follow", April 15) is surely right in identifying a gulf between the German reality of a "social market economy" and present arrangements in Britain. It is a pity that he didn't emphasise the size of that gulf. The Thatcher era has not only left us with a battlefield of broken "social" institutions but with brigades of enterprise warriors force-marching human and capital resources in the opposite direction from the social market towards the "free market".

For example, in the field of vocational training, David Marsh is wrong to say that Britain is already actively trying to imitate the German "dual system". The core of the latter is the industrial craft apprenticeships for *Facharbeiter* (skilled workers), as in the metal-working sectors. British training has been, and is still being, pushed away from the *Facharbeiter*/craft principle of training for broad-based potential capacities, towards much narrower train-as-you-need-them "competencies"; a trend that the government's National Council for Vocational Qualifications is actively endorsing.

When a British government has to turn social market rhetoric into reality – if only to keep up with the probable institutional harmonisation for common EC standards in training and other employment relations – the necessary U-turn will be on a scale to match the retreat from Moscow.

Bryn Jones,
INSPIRE,
School of Social Sciences,
University of Bath,
Claverton Down, Bath

The stop-go schools of motoring

From Mr Adrian Jenkyn.

Sir, If the Cambridgeshire County Council would like to see a real traffic jam ("Paying the price of traffic jams", April 22), I suggest they visit Japan. They might also learn that loading motorists with an ever increasing array of charged penalties or other obstacles makes not a scrap of difference.

Adrian Jenkyn,
Jenkyn Associates International, 204 Azabu House,
7-13 Roppongi 1-chome,
Minato-ku, Tokyo

From Mr Chris Gannon.

Sir, You refer to the problems of traffic in densely populated Britain. How does western Germany, with similar population density but already 30 per cent more cars, manage to keep its traffic flowing so relatively well, both on the highways and in the cities?

If we introduce further costs for motorists which are out of line with our European competitors, will this not contribute to our economic decline?

What about countries such as the Netherlands with much higher population densities?

Chris Gannon,
Carmela Cottage,
High Street,
Long Wittenham, Oxon

The real roots of poverty

From Mr Geof Rayner

Sir, As a former teacher in a supposedly "ghetto" area of New York and today a social services worker in Lambeth, I recognise – and reject – the diagnosis of the underclass offered by the American academics presented in Michael Prowse's sympathetic piece, "The underclass is no illusion" (April 22).

However, if their diagnosis smacks of Thomas Malthus and Samuel Smiles, the alternative that Prowse offers, that of mass relocation of the poor, also has roots in a more repressive era. His suggestion of moving people out of the ghetto en bloc, as was also achieved in "ghetto" parts of London in the final quarter of the last century and through urban planning in this, is merely an act of dispersal and dilution. Sprinkle the poor through those neighbourhoods with economic abundance, says this theory, and the problems would be set to right.

But what is wrong with trying to redress – by economic, educational and other means – the injustices to poor people in the communities in which they already live, and by activities which encourage their existing survival structures? Individuals and families do suffer damage by deprivation, but it has to be said that the problem is not fundamentally the people or even for that matter, the place. What is missing from communities afflicted by unemployment, drugs, or other perils, on either side of the Atlantic, is hope – hope that is associated with individual and group economic progress, community pride, and legitimacy of social institutions.

Until American policymakers discard Dickensian fantasies about lifestyles of the poor and start dealing with poverty, they'll be as far off the mark as their Victorian forebears.

Yours sincerely
Geof Rayner
vice-chair,
The Public Health Alliance,
Snow Hill House,
10-15 Livery Street,
Birmingham

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Thursday April 25 1991

MIDDLE EAST PEACE MISSION

Baker criticises Israel over new settlements

James Baker: reported tired and hoarse after 9-hour talks

A FRUSTRATED Mr James Baker, US secretary of state, yesterday sharply criticised Israel over new settlements in the occupied territories amid signs that his peace shuttle might be faltering, writes Tony Walker in Cairo.

Speaking to reporters in Damascus after marathon talks with President Hafez al-Assad of Syria, Mr Baker said he was "very disappointed to learn... that there is yet another new settlement established in the (Israeli) occupied territories".

"That points up vividly that it is easier to obstruct peace than to promote it," he added, in a departure from his previous muted approach to the vexed settlement issue during his current Middle East tour – his third in six weeks.

Mr Baker, who arrived in the Soviet Union last night for a meeting with his Soviet counterpart, spent 9¾ hours with Mr Assad on Tuesday in talks that reportedly bogged down on UN involvement in a proposed regional peace conference.

Mr Farouk al-Shara, Syria's foreign minister, who was sitting beside Mr Baker at yesterday's press conference, said "the Syrian position vis-a-vis this point is very clear. The UN should play an important role in this conference."

Syria, the most hardline of the Arab states bordering Israel, is insisting that any peace initiative should be based on UN Security Council resolutions 242 and 338 which call for Israel's withdrawal from Arab lands, matched by security guarantees for all states in the region.

Damascus also wants the conference to have European Community involvement and to be given the authority to oversee the implementation of decisions reached.

Israel, fearing pressure from the majority, wants to limit such a gathering to a symbolic "opening," leading to direct bilateral talks with its Arab neighbours. It also wants to exclude the Palestine Liberation Organisation at all costs.

As Mr Baker prepared for today's meeting with Mr Alexander Bessmertnykh, the Soviet foreign minister, in a resort town in the foothills of the Caucasus mountains, it was clear that his peace shuttle was in trouble.

In his efforts to coax all parties to the dispute to accept the need to begin talking, he is battling decades of suspicion and prejudice. He is also obliged to deal with an Israel deeply divided on the international community's central demand – that agreement be based on exchanging "land for peace" in the occupied territories.

Mr Baker's inability to stop the hardline Israeli government building new settlements in the territories is undermining confidence in his mission among the Arabs who have called for a freeze on such settlements.

The US official is due back in Israel late today for what seem certain to be difficult talks with the Israeli premier, Mr Yitzhak Shamir who has been asked to clarify Israel's position on terms for its participation in a proposed regional peace conference.

Mr Baker was reported to be looking drawn and sounding hoarse after his long session with Mr Assad on Tuesday. His talks with Mr Bessmertnykh will focus on ways that Moscow may help to promote confidence in the latest US initiative.

The US wants the Soviet Union to co-sponsor a regional peace conference. Israel says it will not accept Soviet co-sponsorship unless Moscow resumes relations, suspended during the 1967 Six-Day war.

THE LEX COLUMN

Industry surveys the gloom

A couple of days ago, the UK chancellor announced that his assessment of the economy would henceforth rely more heavily on anecdotal surveys of consumer and business confidence. The latest quarterly survey from the British Chambers of Commerce will have dampened his spirits accordingly. The level of home and export orders is plunging faster than ever, in both manufacturing and services. Expectations on employment and investment are down again, as is capacity utilisation. Against the odds, there is a modest revival in business confidence. Significantly, though, it relates more to sales than to profitability.

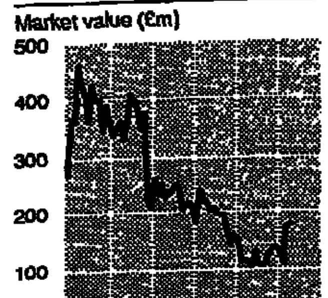
There is room for slight scepticism on the findings, since the Chambers of Commerce survey does not have the same long history as that of the Confederation of British Industry. But there is no reason to suppose the two will differ radically. If the CBI confirms the picture in its quarterly survey next week, the equity market will have to rethink the timing on the recovery of the UK economy as a whole.

Equally, the chancellor might be tempted to rethink his views on interest rates. But as luck would have it, sterling is proving a minor casualty in the battle between the D-Mark and the dollar, besides perhaps suffering from market nerves ahead of next month's UK local elections. Earlier this week, it was the second strongest currency in the ERM after the peseta. It has now fallen to fifth place. There is no real threat from the mooted rise in German interest rates, since the D-Mark has meanwhile dropped to second bottom in the system after the French franc. But with sterling now bang in the middle of its divergence range, it is a risky time for UK rates to move aggressively the other way.

Laura Ashley

The transformation of Laura Ashley from small family business to closely scrutinised public concern has been a painfully fraught affair. However, yesterday's announcement of a second consecutive annual loss may prove the nadir of the group's fortunes. Much has been achieved over the last year, not least the overdue closure of its manufacturing plants. Gearing has been brought under control through the disposal of peripheral assets, the arrival of new Japanese capital and impressively brutal financial controls. Stock

Laura Ashley



Source: Datastream

in the core Laura Ashley business, for example, has been slashed by more than a fifth.

But there is a long way to go before the group can make the most of its prized asset: an international brand name which covers an enviable product range. There is still a major marketing challenge to be addressed, notably in clothing, where the image badly needs to be brought up to date. The cost pressures from rents and wages remain intense, the plight of UK retailers is getting no better, and the company has still to master the art of dealing with third-party suppliers.

The shares – up a penny at 80p yesterday – have risen roughly 50 per cent since late January. At that level, the prospective multiple is more than 20 times for 1992. It will be some years before police horses are again controlling crowds desperate to throw money at a Laura Ashley issue.

ADT

Given the habitual secrecy of ADT's chairman Mr Michael Ashcroft, it was never to be expected that the company's annual report would give many clues to the real state of its affairs. But it does confirm what a deplorable muddle ADT has become. Investors have every reason to ask why the disposal of ADT's 48 per cent holding in Sechura has given rise to a $96m write-off, or indeed why there is no suggestion in the accounts that a principal shareholder in Sechura was Mr Ashcroft himself. Above all, there is no real explanation of why a year which saw the issue of ADT paper to the value of $335m also saw a horrendous drop of $842m in the group's cash mountain.

As always, the answer will lie not in the group's operating businesses but in Mr Ashcroft's dabblings around the fringe. So far as can be told from an exceptionally opaque flow of funds statement, the operating businesses net of capital expenditure, tax and dividends were broadly cash neutral in the year. The same dabblings doubtless lie behind the drop of almost 20 per cent in the group's net asset value in the year. It would be nice to know what has happened to Mr Ashcroft's salary as a result of all this. Needless to say, in accounts certified by Coopers & Lybrand "in accordance with auditing standards generally accepted in the United Kingdom", we are not told that either.

Lyonnaise

There was some confusion in Paris yesterday about what to make of last year's FFr1.425bn net profit from Lyonnaise des Eaux-Dumez, the first set of results since the utilities and construction groups merged their activities in September. A figure close to FFr1.5bn had been forecast in the pro forma profit and loss account. However, lower than expected capital gains as well as a disappointing performance from the Canadian construction materials group Westburne appear to be responsible for the shortfall. Lyonnaise shares slipped FFr9 to FFr618 on the day, though that may have had as much to do with the forecast that this year's earnings would only advance in line with the likely 5 to 10 per cent increase in sales.

At this early stage of the venture, it is difficult to tell whether Mr Jerome Monod's vision of an integrated group solving problems of infrastructure around the world will succeed. He certainly would appear to be getting the upper hand in what many suspected would not turn out to be a marriage of equals, or so the earlier than expected disposal of Dumez's electrical equipment businesses would suggest. That might even point to a Westburne sale as part of the ongoing programme of asset sales, though now is hardly the best time in the cycle to be speeding it along.

French utilities have been popular with investors and Lyonnaise has outperformed the market by 5 per cent over the last year. But the market's hesitancy is reflected in the fact that its rival, Générale des Eaux, which swallowed Société Générale des Entreprises that much earlier, has outperformed by 10 per cent over the same period.

IMF urges limit in UK jobless benefit

By Peter Norman in Washington and Lisa Wood and Ralph Atkins in London

A CUT in the length of time unemployment benefit is paid in Britain is urged by the International Monetary Fund, which also warns that the UK was facing the deepest recession of the Group of Seven leading industrial countries.

The IMF suggests the benefits limit as a part of a package of measures intended to curb the UK's high level of wage increases. It says in its World Economic Outlook that action is needed to increase the responsiveness of British wages to market conditions and to promote labour mobility.

It also suggests "increasing training programmes and improving the functioning of labour exchanges" to prevent a rise in unemployment in the recession similar to the very sharp increase in the early 1980s. Britain must maintain monetary and fiscal policies "conducive to a substantial downward adjustment in the growth of wages," the IMF says.

While warning of the depth of the recession, the IMF says there is "little scope for a significant reduction in UK interest rates" unless this is fully justified by sterling's position in the exchange rate mechanism of the European Monetary System and clear signs that underlying inflation was falling.

IMF projections point to a sharp 2.1 per cent drop in UK gross domestic product this year but with a strong recovery in the second half. Growth next year is forecast at about 1.9 per cent. But unemployment will keep on rising in 1992 and is expected to average 8.5 per cent of the labour force next year after 7.5 per cent this year and just 6 per cent in 1990.

Britain faces several years of slow growth, it indicates. Between now and 1996 the IMF expects GDP growth in the UK will lag slightly behind the average annual increase of 2.1 per cent in the 1980s.

The IMF does not elaborate on it suggestion for a cut-off point on unemployment benefit. The government said yesterday that it kept the impact of the benefit system on the labour market under review but insisted that it was not considering any proposals to cut the duration of unemployment benefit.

Basic unemployment benefit, currently £41.40 a week, is paid in Britain for up to a year but after that individuals who have no savings can claim indefinite income support at only a slightly lower weekly rate.

For Labour Mr Tony Blair, shadow employment secretary, said: "It would be wrong to think that a cut in the period of unemployment benefit would, of itself, bring lower unemployment."

World Economic Outlook, Page 6

GEC Avionics wins contract for Stealth fighter computers

By Paul Betts, Aerospace Correspondent, in London

ORDERS worth more than £300m ($507m) will be announced today by GEC Avionics, aerospace subsidiary of General Electric Company of the UK, to supply flight computers and cockpit display equipment for the next generation of US Stealth fighter aircraft.

The deal will make the company the only large British supplier for the new US Advanced Tactical Fighter (ATF) to be built by a consortium including Lockheed, Boeing and General Dynamics, which was selected by the US Pentagon on Tuesday.

It also comes on the heels of a contract announced yesterday by GEC Avionics to supply the primary flight computer system for Boeing's new wide-bodied commercial airliner, the 777.

Mr Brian Tucker, GEC Avionics managing director, said the potential value of the combined ATF and Boeing 777 contracts was more than £500m over 15 years. He added the orders were initially worth £60m-£70m for the fighter work and more than £45m for the Boeing 777.

The US is planning to commission 650 ATFs, expected to cost $65bn over the next two decades, which would make it the biggest aerospace contract on record. Boeing has so far received launch orders for the 777 from United Airlines and All Nippon Airways. "The ATF deal places us on both the next generation US tactical fighter programme and the European Fighter Aircraft (EFA) programme," Mr Tucker said.

The UK company has been contracted to supply display and flight control systems for the EFA and has prime responsibility for the European three-nation Tornado military aircraft flight control system. It also supplies computer systems for the European Airbus commercial aircraft programme.

GEC Avionics, based at Rochester, Kent, in south-east England, where it employs 5,000 people, will develop and supply the ATF's pilot's head-up display system, the pilot's side stick controller and the vehicle management system which includes the computer fly-by-wire flight controls, hydraulics and environmental control.

GEC Avionics has become the world's largest supplier of head-up display systems, which enable pilots to see at eye level all their flight manoeuvres and weapons aiming.

Mr Tucker said the US, the world's biggest aerospace market, now accounted for about 60 per cent of his company's exports.

Two other British companies, Smiths Industries and Hawker Siddeley, have this month won substantial orders to supply components for the new Boeing 777.

● On Tuesday, the Pentagon awarded the biggest aerospace contract in history, for the development of the next generation of jet fighter and worth more than $65bn, to a consortium led by Lockheed.

Suzuki to assemble cars in E Europe

Continued from Page 1

follows moves by General Motors and Ford of the US to set up manufacturing operations in Hungary.

General Motors has formed a joint venture with Raba, the Hungarian state-owned maker of trucks, diesel engines, and tractors, to build Opel car engines and to assemble Opel cars with an investment of around $150m. It has a 67 per cent stake and management control.

It aims to produce up to 30,000 Opel Kadett/Vauxhall Astra cars and 200,000 engines a year at a plant at Szentgotthard, close to the Austrian border. Ford plans an investment of $80m in a wholly owned plant in Szekesfehervar producing ignition coils and fuel pumps.

Plans by western carmakers are now advanced for moving into eastern Europe, with Volkswagen investing heavily in Czechoslovakia and eastern Germany, and General Motors establishing operations in eastern Germany and Hungary.

Fiat is still the dominant force in Poland but GM is also expected to begin negotiations shortly for an assembly venture in Warsaw with FSO. Fiat has led western carmakers' moves in Yugoslavia and the Soviet Union.

Hungary has granted favourable tax and customs duty treatment for the the Suzuki project.

Yesterday's signing marked the belated end of a six-year gestation for the venture. Suzuki's insistence on a 10-year tax holiday had postponed agreement. Analysts also said the delay and the scaling down of the Japanese carmaker's earlier ambitions had followed a change of strategy.

Previously, the company had intended to use Hungary as a base for deliveries to the rest of the region. However, after the disintegration of the Comecon system between east European countries, Hungary has no preferential access.

Gorbachev and Yeltsin agree treaty

Continued from Page 1

achieved through economic agreements between the centre and republics. The anti-crisis programme spells out 10 types of economic agreement to be concluded with the republics, in areas ranging from price liberalisation and privatisation to the formation of the budget.

Mr Yeltsin's press spokeswoman said, however, that she believed the statement would lead to the start of "round table" talks proposed by the Russian leader.

At the same time, Mr Yeltsin has lent his authority to a call for an end to strikes and for "strict compliance with current laws"; to a "special regime" of work in basic industries; and to a statement which characterised as "intolerable any attempts to attain political ends through incitement to civil disobedience, strikes or calls for the overthrow of the existing lawfully elected state power bodies". It was not clear last night whether the agreement would succeed in ending the present wave of strikes, despite Mr Yeltsin's authority over striking miners in the Russian Federation.

A Ukrainian miners' representative in Moscow pointed out that striking miners in the Donbas had "bad relations" with the Ukrainian leadership "even though Russian miners might listen to Yeltsin".

A strike committee spokesman in Minsk said that Belorussian workers would continue to insist that their local demands be met before calling off industrial action.

"The strike committee believes that the whole tragedy lies in the political system and wants the Communist party to go away," said the spokesman. "They are making economic concessions but in Belorussia people understand that these concessions will not be honoured unless there are political changes."

Meanwhile, the Soviet army appeared to keep up the pressure in Lithuania when soldiers took over a building housing the Agro-Industrial Bank in the capital, Vilnius, despite the start of talks between the central government and Lithuania, and promises by the Kremlin to resolve all its disputes with the breakaway republic by political means.

Separately, dockers in the Lithuanian port of Klaipeda ended a two-day strike after management agreed to double their pay.

Although the accord foresees the granting of most favoured nation status for those who sign the union treaty, the statement marks a climbdown by the Kremlin which has previously insisted that all republics should sign it.

Colonel Viktor Alksnis, co-chairman of the hardline Soyuz (Union) group which has called for a state of emergency, was sceptical about the agreement sticking. Colonel Alksnis also reiterated his opposition to a new union treaty "as a bomb which will destroy the Soviet Union".

Art scandal widens with police raids

JAPANESE investigators raided homes and offices across the country yesterday in a widening corporate scandal involving art and real estate deals worth hundreds of millions of dollars, Reuter reports from Tokyo.

Hundreds of police investigators raided 48 sites following legal complaints filed by the Osaka-based trading firm Itoman and by Seibu Department Stores, a wholesaler, Osaka police and the Osaka District Prosecutors' Office said.

The deals involved 219 paintings, among them a Renoir and a Chagall, which Itoman alleges were sold to it at prices far above market. Itoman also incurred losses in fraudulent loans made to a real estate developer, police said.

Damage could total about Y40bn ($290m) but this depends on the actual sales price of the paintings, an Itoman spokesman said. He said Itoman's art deals were worth about Y55.7bn.

The case highlighted aggressive art deals undertaken by Japanese firms as part of a "bubble" phenomenon that found companies awash with investment funds as domestic stock and land prices soared. However, Tokyo share prices tumbled last year.

The legal complaints filed by Itoman and Seibu, which are public documents, named a former Itoman executive, a Korean art dealer, his associate, and an art appraiser who worked for Seibu Department Store.

The four could be arrested under a special corporate law banning breach of trust if prosecutors decided to file charges based on the complaints.

Itoman was at the forefront of speculation in the property boom of the late 1980s.

Germany 'will not cut rates'

Continued from Page 1

"Now, the best time to ask people to make sacrifices is past. In calling for a greater national effort, the politicians could have been a bit more Churchillian."

"Public sector transfers to east Germany this year will come to about DM140bn. Two-thirds of the gross national product in the east effectively comes from the west. A lot of the transfers are financing consumption – unemployment benefits, pensions etc – but there is an increasing amount of investment too."

Over the timing of eventual recovery east of the Elbe, he said: "There is not much sense in trying to predict an end to the period of slump – it will certainly last some time. But in east Germany they are now drawing the right consequences from the fact that 80 per cent of the economy there is uncompetitive. This means, of course, that a large number of lay-offs are inevitable."

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Berlin	R	9	48	Caracas	C	31	88	Faro	F	18	64	Islamabad	F	30	86
Algiers	S	22	72	Biarritz	S	17	63	Casablanca	C	18	64	Florence	F	13	55	Istanbul	C	11	52
Amsterdam	F	11	52	Bombay	S	32	90	Chicago	–	–	–	Frankfurt	C	8	46	Jakarta	R	31	88
Athens	S	19	66	Bordeaux	S	16	61	Cologne	C	9	48	Geneva	S	8	46	Jersey	S	13	55
Bahrain	S	32	90	Boulogne	C	12	54	Copenhagen	S	10	50	Gibraltar	S	21	70	Johannesburg	S	21	70
Bangkok	C	34	93	Brussels	C	10	50	Corfu	F	13	55	Glasgow	C	10	50	Lima	F	25	77
Barcelona	C	14	57	Budapest	F	12	54	Dallas	–	–	–	Helsinki	F	9	48	Lisbon	R	15	59
Beirut	–	–	–	Buenos Aires	C	24	75	Dublin	C	10	50	Hong Kong	S	27	81	London	C	12	54
Belfast	C	11	52	Cairo	S	30	86	Dubrovnik	C	9	48	Innsbruck	F	8	46	Los Angeles	C	13	55
Belgrade	C	7	45	Cape Town	C	21	70	Edinburgh	C	10	50	Inverness	F	11	52	Luxembourg	C	7	45

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	18	64	Milan	S	9	48	Nicosia	S	21	70	Salzburg	F	7	45	Tenerife	S	21	70
Madrid	F	17	63	Montreal	S	7	45	Oporto	F	13	55	San Francisco	C	12	54	Tokyo	C	19	66
Majorca	F	16	61	Moscow	C	6	43	Oslo	S	12	54	Seoul	S	21	70	Toronto	R	7	45
Malaga	S	21	70	Munich	C	6	43	Paris	F	11	52	Singapore	F	31	88	Tunis	F	18	64
Malta	C	18	64	Nairobi	R	21	70	Peking	S	19	66	Stockholm	F	10	50	Valencia	F	19	66
Manchester	C	11	52	Naples	F	14	57	Prague	F	9	48	Strasbourg	F	10	50	Venice	S	14	57
Manila	F	34	93	Nassau	F	31	88	Reykjavik	F	1	34	Sydney	–	–	–	Vienna	R	10	50
Melbourne	F	17	63	New Delhi	S	33	91	Rhodes	S	18	64	Taipei	C	33	91	Warsaw	C	10	50
Mexico City	C	30	86	New York	C	12	54	Rio de Janeiro	–	–	–	Tangier	S	18	64	Washington	F	13	55
Miami	S	26	79	Nice	F	11	52	Rome	F	14	57	Tel Aviv	S	22	72	Zurich	F	7	45

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Exxon hits record $2.2bn in quarter

Exxon, the world's biggest oil company, posted record earnings in the first quarter due to unusually wide refining margins. Despite halving income from US exploration and production operations, earnings soared 75 per cent to $2.2bn. Page 24

Du Pont profits down by 4%

Du Pont, the leading US chemical company, yesterday unveiled slightly better-than-expected first-quarter earnings due to strong gains from its petroleum business. Net income for the period fell 4 per cent to $590m from $615m while strong petroleum sales prompted a 3 per cent rise in overall sales in the quarter to $9.7bn. The company's core fibres and plastics operations saw an erosion of its earnings. Page 24

Rough time for bananas

The world's banana trade faces serious disruption following an earthquake earlier this week which struck the Caribbean coasts of Costa Rica and Panama. The earthquake caused extensive damage to roads, railways, ports, water and electricity supplies. About 35 per cent of the world's bananas originate in the region. Page 31

Sticky situation

The invasion of the killer bees has begun. Texan beekeepers had their ammunition ready last week in the war against the Africanised "killer" honeybee — which pursues its prey in swarms of thousands and for distances of up to a mile. Beekeepers fear that the Africanised bee will take over the hives of the more compliant domestic insect, jeopardising the state's $11m honey industry. Nancy Dunne reports. Page 31

Brighter prospects in Seoul

Seoul, for long the sick man of Asian stock markets, now seems to be over the worst. After a steady period of decline it broke away from its lethargy on Tuesday, when the index jumped by 3.6 per cent; and yesterday, when turnover climbed from Won142.3bn to Won180bn, investors were revelling in their ability to take a profit. Back Page

Austin Reed falls 48%

Austin Reed, the clothing manufacturer and retailer, saw its profits last year hit by a lack of tourists and by the "white-collar" recession in south-east England. Pre-tax profits fell 48 per cent to £3.6m ($6.1m), the lowest since 1983. Barry Reed (left) — chairman, grandson of the founder, and a board member for 33 years — said the start to the current year had been the worst he could remember. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Billing Berg	916	+	11	Ciments Fr	409	+	19
Brown Boveri	1085	+	38	Imm de France	1198	+	48
Hoesch	274.8	+	7.8	Printemps (Au)	685	+	26
Falls				Radiotechn	415	+	20
AG Ind & Verk	810	–	13.5	**Falls**			
Linotype	505.5	–	14.5	Ecco	370.1	–	12.9
Springer Axel	705	–	15	Metra	245	–	12.3

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Am T & T	36¼	+	¼	Arisawa Mfg	1370	+	190
Lockheed	43⅝	+	1⅛	Meix	1200	+	100
Falls				Sanko Eng	1250	+	120
McDonnell D	47⅜	–	3	Tsugami	850	+	81
Northrop	23½	–	3½	**Falls**			
Procter & G	83⅝	–	1¼	Kurabo Inds	1020	–	70
Reuters	42¼	–	2⅞	Miyairi Valve	540	–	40

New York prices as at 12.30

LONDON (Pence)							
Rises				Cadbury Sch	370	–	10
Aerospace Eng	54	+	5	Cannon St Inv	112	–	12
Betterware	227	+	15	ECC	410	–	15
Boot (H)	593	+	15	Ibex	11	–	7
Brixton Ests	174	+	13	Jessups	46	–	9
Kleinwort Bens	318	+	10	Legal & Gen	438	–	13
Wardle Stys	309	+	11	Partridge F.A.	73	–	6
Falls				Rank Organ	727	–	19
Beaverco	35	–	8	Reuters	823	–	42
Beazer	178	–	7	Sovereign Oil	141	–	6
CI	26½	–	2½				

Olivetti halts payout as profits fall

By Haig Simonian in Milan

OLIVETTI, the Italian computers and office-equipment group, suffered a severe fall in net profits last year to L60.4bn ($46.3m) from L202.8bn in 1989. It is suspending the dividend on its ordinary shares.

The fall in profits, in line with the forecast made by Mr Carlo De Benedetti, Olivetti's chairman, earlier this year, reflects pressures facing Europe's computer manufacturers.

The company blamed currency factors and a sharp fall in demand in Europe and the US for the decline in earnings. It said it would pay a dividend of L70 and L125 a share on its preference and savings shares, respectively. Olivetti is obliged to pay a minimum 12.5 per cent return on the L1,000 nominal value of its savings shares.

Mr Vittorio Cassoni, Olivetti managing director, said sales in the first four months of this year were down 4 per cent compared with the same period in 1990. Turnover last year was L9,037bn against L9,031bn in 1989.

Olivetti's ordinary shares fell by L101 to L3,769 at yesterday's Milan fixing, which took place before the results were announced. Savings shares declined L65 to L2,780.

Mr Albert Alonzo, an Italian market analyst at Nomura, said the profits fall was in line with expectations, while the share price had already discounted the earnings announcement.

"There's no room for a dividend when you're asking for financial support from the government", he said. Earlier this year Olivetti reached agreement with the government and unions on a package of job cuts and early retirement involving 7,000 workers.

The restructuring costs for the layoffs resulted in a net extraordinary charge of L50bn against Olivetti's 1990 pre-tax profits, which fell to L124bn from L355bn in 1989.

Analysts believe Olivetti has had some flexibility in accounting for its job reduction programme announced last November.

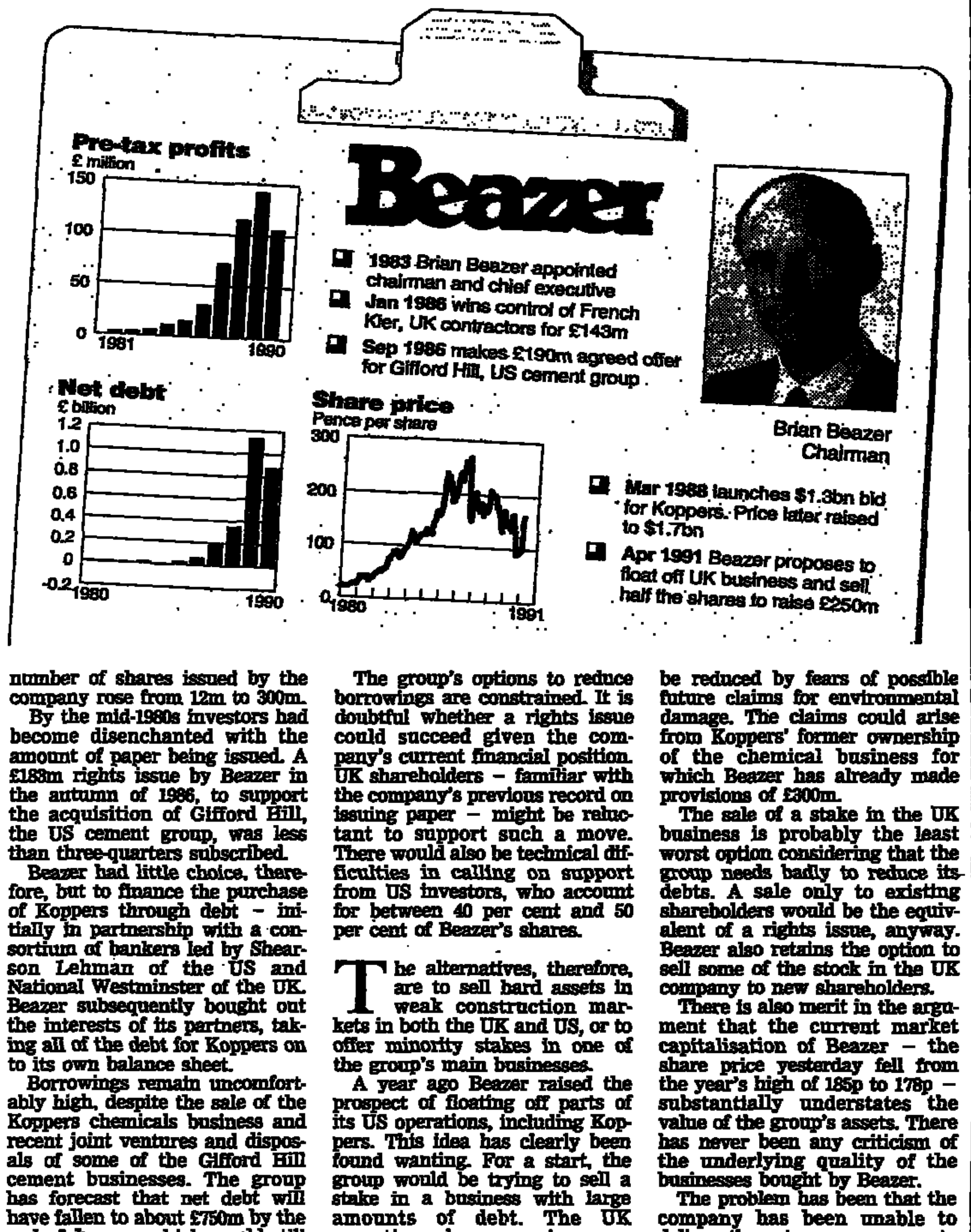
However, the company says it has absorbed the full cost on the 1990 accounts. Olivetti said sales, administrative and general costs last year had been kept in line with those for 1989. Nevertheless, net indebtedness surged to L744.5bn from L406.6bn in 1989.

Prospects for the current year would be overshadowed by increasingly unpredictable and uncertain market conditions, according to Mr De Benedetti.

"In this uncertain context, it is necessary to reduce structural costs and to rationalise production activities", he said.

Dividing the House of Beazer

Andrew Taylor reports on how the group plans to reduce its US debt



Mr Brian Beazer has been characterised as an empire builder who turned a small family housebuilding operation into a large international business and mortgaged the company to pay for it.

This week the 56-year-old chairman and chief executive of Beazer construction group proposed to sell off some of the family silver to reduce the group's large debts — the result of its free spending on acquisitions.

On Tuesday Beazer announced plans to float off its UK housebuilding, contracting and property businesses. It would then sell up to half the shares in the new company, raising up to £250m ($422.5m) in the process.

Beazer would be left owning a large US aggregate, cement and concrete business, as well as a bare majority interest in a separately quoted company holding its UK and other European operations.

The funds would be used to reduce the group's large US borrowings, most of which were raised to support the $1.7bn acquisition of the Koppers cement and aggregates business in 1988.

Mr Beazer put a brave face on things yesterday: "Our primary duty is to maximise the return for our shareholders. We believe our proposals will do that and raise cash at the same time."

They mean, however, that Beazer's strategy of building a transatlantic business, based on property and contracting in the UK and building materials in the US, has come off the rails. No matter what gloss the directors put on the proposal, they would not be planning it unless they had been forced to do so by an overriding need to raise cash and reduce the strain on Beazer's balance sheet.

The group's last annual accounts, for the year to June 30 1990, showed net debts of £880.5m, compared with shareholders' funds of just over £1bn. Debt has fallen since then. However, interest payments of £40m during the six months to the end of December were only twice covered by operating profits of £80m.

Interest cover could reduce further during the six months to June 30, the end of Beazer's financial year. Other UK housebuilders have warned that profits will fall steeply during the first six months of this year. Profits in the US may also have declined.

Beazer has had a meteoric rise. It has grown from a Bath-based housebuilder with turnover of less than £20m in 1979 into a multinational business with annual sales in 1989-90 of more than £2bn. Beazer is Britain's fourth-largest housebuilder and the second-largest aggregates producer in the US.

It achieved this status through a rapid series of acquisitions, financed in the mid-1980s through the issue of large amounts of Beazer paper. Between 1983 — when Brian Beazer became chairman and chief executive — and 1988, the number of shares issued by the company rose from 12m to 300m.

By the mid-1980s investors had become disenchanted with the amount of paper being issued. A £183m rights issue by Beazer in the autumn of 1986, to support the acquisition of Gifford Hill, the US cement group, was less than three-quarters subscribed.

Beazer had little choice, therefore, but to finance the purchase of Koppers through debt — initially in partnership with a consortium of bankers led by Shearson Lehman of the US and National Westminster of the UK. Beazer subsequently bought out the interests of its partners, taking all of the debt for Koppers on to its own balance sheet.

Borrowings remain uncomfortably high, despite the sale of the Koppers chemicals business and recent joint ventures and disposals of some of the Gifford Hill cement businesses. The group has forecast that net debt will have fallen to about £750m by the end of June — which would still be equivalent to about three-quarters of shareholders' funds.

The group's options to reduce borrowings are constrained. It is doubtful whether a rights issue could succeed given the company's current financial position. UK shareholders — familiar with the company's previous record on issuing paper — might be reluctant to support such a move. There would also be technical difficulties in calling on support from US investors, who account for between 40 per cent and 50 per cent of Beazer's shares.

The alternatives, therefore, are to sell hard assets in weak construction markets in both the UK and US, or to offer minority stakes in one of the group's main businesses.

A year ago Beazer raised the prospect of floating off parts of its US operations, including Koppers. This idea has clearly been found wanting. For a start, the group would be trying to sell a stake in a business with large amounts of debt. The UK operations, by comparison, are currently very lightly borrowed.

A price for Koppers might also be reduced by fears of possible future claims for environmental damage. The claims could arise from Koppers' former ownership of the chemical business for which Beazer has already made provisions of £300m.

The sale of a stake in the UK business is probably the least worst option considering that the group needs badly to reduce its debts. A sale only to existing shareholders would be the equivalent of a rights issue, anyway. Beazer also retains the option to sell some of the stock in the UK company to new shareholders.

There is also merit in the argument that the current market capitalisation of Beazer — the share price yesterday fell from the year's high of 185p to 178p — substantially understates the value of the group's assets. There has never been any criticism of the underlying quality of the businesses bought by Beazer.

The problem has been that the company has been unable to deliver the returns necessary to justify the level of debt raised to acquire the new operations.

Saab held back by decline at carmaker

By John Burton in Stockholm

SAAB-SCANIA, the Swedish vehicle and aerospace group, yesterday reported a 47 per cent fall in first-quarter profits after financial items to SKr267m ($44m) due to mounting losses for Saab Automobile.

Saab-Scania, recently bought out by the investment group controlled by the Wallenberg family, predicted that earnings for the year would be lower than the 1990 result of SKr2.2bn.

Group sales slipped 6 per cent to SKr6.94bn, primarily due to the Scania truck division suffering a 10 per cent fall in sales to SKr5.4bn.

Losses at Saab Automobile, the 50/50 joint venture with General Motors, increased 52 per cent to SKr1.01bn during the period. This reduced profits for Saab-Scania by SKr506m.

Excluding Saab Automobile, profits for the remainder of Saab-Scania totalled SKr764m, a 6 per cent fall from last year.

Saab Automobile reported a 16 per cent fall in volume sales to 20,800 vehicles, with weaker demand mainly in the Nordic region. Sales declined 18 per cent to SKr3.36bn. Sales for Saab Automobile are not consolidated in Saab-Scania results.

Saab-Scania and General Motors are discussing an injection of capital into Saab Automobile. A review of the troubled company's capital structure will be completed by the end of June and a decision will then be made whether additional funds are needed to complete its rationalisation programme.

No forecast was offered yesterday for Saab Automobile's 1991 profits. It was noted that rationalisation measures during 1990 did not affect the results for the first quarter, but their impact will be increasingly felt during the remainder of the year.

Earnings for the Scania division were also lower than last year's first quarter, although a figure was not released. The group predicted that Scania profits for the year would be below last year's result of SKr2.9bn.

Volume sales for trucks and buses fell 6 per cent to 7,800 vehicles. Profits for the aerospace division, however, increased, with a 17 per cent rise in sales to SKr1.18bn as orders climbed for the Saab 340 and Saab 2000 commuter aircraft.

Earnings for 1991 are expected to exceed last year's SKr111m. Saab Combitech, the defence technology division, reported unchanged earnings, although sales rose 38 per cent to SKr622m.

Zenith losses rise to $23m as sales drop in quarter

By Barbara Durr in Chicago

ZENITH ELECTRONICS, the US company competing for a share of the high-definition television market, yesterday unveiled a deeper first-quarter loss and a fall in sales.

Zenith, beset by a proxy battle, reported a first-quarter net loss of $23.7m, or 85 cents per share, against a loss of $4m, or 15 cents per share, in the same period a year ago.

Mr Jerry Pearlman, Zenith's chairman, said the first-quarter results were "unsatisfactory," but to be expected in the recession. He forecast no change during the first half of 1991.

News of the loss was not expected to help Zenith fight a proxy contest by Nycor to replace three company-related directors. A proxy vote result from yesterday's annual meeting was not expected for several days.

Nycor, a holding company spun off from Fedders, the air-conditioner maker, holds 8.2 per cent of Zenith's shares. It charges that the company, controlled by the Giordano family of New Jersey, has no plan to end losses in consumer electronics.

Zenith has responded that the Giordanos, with only low-technology experience, do not understand the long-term, high-tech strategy of the company, which is engaged in a race for the estimated $80bn market for high-definition television (HDTV).

Zenith may have undermined Nycor's arguments about weakness in consumer electronics with its sale for $15m in March of a near 5 per cent stake of the company's shares to Goldstar, South Korea's largest consumer electronics maker.

Goldstar wanted access to the US company's high technology. The two are exploring agreements on distribution and manufacturing that could help Zenith with its colour televisions, video players and electronics.

Despite some gain in market share, Zenith's first-quarter sales fell 15 per cent to $304m from $356m last year. Sales volume fell, and prices declined in the weak US economy. Planned inventory cuts, and increased investment in high-definition systems boosted the loss.

Although the company trimmed costs by $18m in the first quarter, high-definition systems need increased outlays.

Zenith is co-operating with AT&T against several developers of HDTV to be selected by the US Federal Communications Commission as the HDTV standard in the second quarter of 1993.

Its HDTV investments rose more than $3m during the first quarter, against less than $2m last year, and 1991 investments in Zenith's flat tension mask — a large screen, high-resolution display — are expected to exceed $15m.

Maxwell warns on 1990 results

By Alice Rawsthorn in London

MAXWELL Communication Corporation, the media conglomerate founded by the flamboyant newspaper publisher, Mr Robert Maxwell, yesterday issued a profits warning to investors.

The warning, which was included in a shareholders' circular on the sale of Pergamon Press, the scientific publishing company, comes at an eventful time even by the standards of the ebullient Mr Maxwell.

Last week the controversial publisher launched a lavish marketing campaign for the forthcoming £500m ($845m) stock market flotation of Mirror Group Newspapers — of which he is chairman. Last month he announced he was relinquishing the role of chairman of MCC to concentrate on the relaunch of the New York Daily News, the ailing US tabloid newspaper which he rescued earlier this year.

MCC has warned investors that profits for the last financial year to March 31 would be lower than in the previous year when it made pre-tax profits of £172.3m on turnover of £1.24bn.

The group attributed the fall in profits to its unexpectedly slow progress in making disposals. MCC has been trying to reduce its debt through the disposal programme. This has been hindered by the impact of the US and UK economic recessions on the international publishing industry.

MCC had originally hoped to reduce its debt by $750m by the end of the last financial year. However, it said the "present economic climate" was "not conducive to significant disposals of media businesses". It added that it had refused to make disposals at "other than satisfactory prices".

The group recently succeeded in selling Pergamon — the heart of Mr Maxwell's original business which is based in the grounds of his Oxford home — to Elsevier, the Dutch publishing group, for £446m. However, that sale came too late to affect its 1990-91 results and will be included in MCC's interim results. MCC said it was "confident of a strong profit performance" from its companies in the current financial year.

Eni posts net profits of L2,072bn after sales rise

By Haig Simonian in Milan

ENI, the Italian state-owned energy and chemicals group, made consolidated net profits of L2,072bn ($1.61bn) for 1990 compared with L1,613bn in 1989. Sales rose to L50,033bn from L36,470bn.

However, the increase in last year's net earnings is a mere 0.8 per cent when adjusted for the full ownership of Enimont, the former public-private chemicals joint venture.

Eni bought Montedison's 40 per cent stake in Enimont last November, and has since tendered for the remaining 20 per cent of the shares floating in the market.

Restated for the full consolidation of Enimont's figures, net earnings in 1989 amounted to L2,057bn. Similarly, sales in 1989 were L44,503bn, meaning that turnover rose by only 12.4 per cent in 1990 on an adjusted basis.

Mr Gabriele Cagliari, Eni's chairman, said a good performance in the group's energy sector last year had offset poorer results elsewhere, notably chemicals.

Plans for the current year include a substantial rise in investment, especially on the energy side. While higher business volumes could offset lower margins in the oil sector in 1991, he warned that higher taxes and borrowing costs meant that group profits this year could fall.

Taxation jumped by L244bn to L1,061bn in 1990. Adjusted net borrowing went up by L4,047bn to L23,735bn, largely to finance the purchase of the Montedison's Enimont stake and for increased borrowing by the chemicals group, which has now been renamed Enichem. Overall borrowing at other Eni subsidiaries fell slightly.

Mr Cagliari said net profits from energy-related activities rose by L1,182bn to L2,651bn in 1990, thanks to higher oil production and prices and increased natural gas sales.

Chemicals, consolidated for full ownership of Enimont, made profits of L21bn, against L258bn. Earnings were affected by the depressed international market, and particularly by the drop in demand for bulk chemicals in Italy.

Eni's machinery manufacturing and engineering subsidiaries lost L193bn last year.

Volvo chief warns of 'difficult two years'

By Robert Taylor in Gothenburg

VOLVO, the Swedish auto group, is facing "two extremely difficult years" as severe competition and depressed margins in its key markets of the US, Britain and Sweden take their toll, Mr Christer Zetterberg, chief executive, said yesterday.

The company, the largest in Scandinavia, also announced its first joint project with Renault, the French auto group, with which it formed a strategic allegiance last year. The agreement covers the manufacture and delivery of car engines.

Volvo's policy is not to give financial forecasts. However, Mr Zetterberg's gloom at the annual shareholders' meeting suggests the company faces difficult times as it struggles to recover from problems that resulted in a SKr1.03bn ($166m) loss last year.

He disclosed the company was set to reduce its costs by a further SKr2bn next year after this year's SKr3bn savings through rationalisation and efficiency improvements, mainly in car production. This will involve a 7,000 cut in jobs from the company's 68,000-strong workforce by the third quarter of 1992. Some 5,000 of these will be in Sweden, where an estimated 69 per cent of Volvo's employees work.

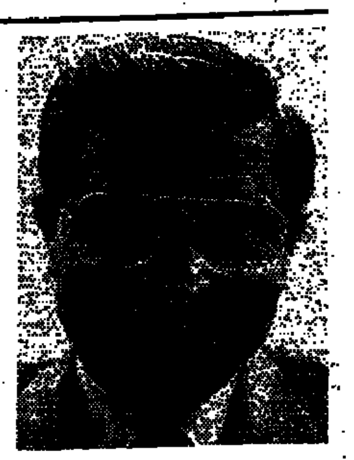
Mr Zetterberg stressed that Volvo had enough financial resources to cushion itself against adversity. He said its stock portfolio was worth more than SKr25bn – SKr10bn more than Volvo's acquisition value.

The agreement with Renault promises to be the first of many joint projects between the two companies. It covers deliveries of gasoline-powered car engines from Volvo to Renault from the beginning of 1993. Deliveries during the first period will be valued at SKr2.5bn. In return, Volvo cars are to be equipped with diesel engines supplied by Renault.

New calculations suggest that co-operation with Renault could save Volvo more than SKr800m a year for the next two to five years.

Alcatel Alsthom chief attacks Brussels

William Dawkins finds Mr Pierre Suard (right) prepared to defy the European Commission over its conditions on his company's link-up with Italian vehicle group Fiat



ALCATEL Alsthom, a partner in the first merger to attract a European Commission inquiry under its new powers to vet cross-border deals, yesterday accused the Brussels authorities of discriminating against European businesses.

Mr Pierre Suard, chairman of the French telecommunications, transport and energy company, said the strict conditions demanded by Brussels for his company's wide-ranging alliance with Fiat, the Italian automotive group, created "a strong distorting element" in his markets.

"Today, it is harder for a European company to buy another one than it is for a non-European company to buy into Europe," said Mr Suard. The Commission was in danger of turning the European single market into "a shifting marsh, open to all currents, with the two economic citadels of the US and Japan standing on either side," he said.

The link-up between Alcatel Alsthom and Fiat, one of Europe's biggest cross-border deals to date, was announced in October. It was the first deal to attract a full Commission inquiry under its six-month-old merger control regulation. As such, it makes a discouraging test case for the way in which the Commission can be expected to use its new powers, said Mr Suard. The French company will do its best to satisfy the Commission's demands, but Mr Suard gave no guarantee that he would comply with all of them. This is among several delays experienced by the complex deal, Mr Suard revealed yesterday. Alcatel Alsthom and Fiat have agreed to postpone another part of the accord, under which the French partner would take control of Fiat's rail equipment division, because they cannot agree on price. Nevertheless, Mr Suard emphasised that he was satisfied with the general progress of the link-up.

The main part of the complex deal, which came into effect a few weeks ago – delayed six months by the Commission inquiry, says Mr Suard – gives Alcatel, the French group's telecommunications unit, control of Telettra, Fiat's telecommunications business.

Fiat, meanwhile, is waiting to take control of Alcatel Alsthom's car batteries business, once the Commission has pronounced on the impact on the French market. Finally, the pair have agreed to exchange share stakes, with Fiat taking 6 per cent of Alcatel Alsthom and the French partner taking 3 per cent of Fiat.

What worried the Commission about the telecommunications part of the accord was that Alcatel and Telettra's Spanish subsidiaries together hold 80 per cent of the Spanish market for transmission equipment. Alcatel is the European Community's largest supplier of telecommunications equipment, with 29 per cent of the market.

The Alcatel-Telettra merger could only be allowed, said the Commission, if they broke their shareholding links with Telefonica, the Spanish telephone operator, which, like some of its equivalents around the world, likes to keep minority stakes in its main suppliers. The aim is to curb any temptation for Telefonica to give Alcatel and Telettra special treatment.

Mr Suard said he was happy to buy Telefonica's shares in Telettra's Italian and Spanish subsidiary, since that was part of the original Fiat agreement.

However he was less than keen on the Commission's demand that Alcatel buy back the 21.14 per cent stake that Telefonica holds in the French group's Spanish subsidiary.

"We are negotiating in good faith to do so, but we can only do it if the purchase conditions are acceptable to us," he said.

"If we cannot agree the price, there will be no acquisition," said Mr Suard. Alcatel Alsthom will not indicate what that price might be, though Telefonica's books value its stakes in Alcatel Standard Electrica – the French group's Spanish offshoot – and Telettra Española at Pta4.4bn ($40.5m). Telefonica is likely to argue that this is a fraction of their real value.

Mr Suard found the requirement to buy back Telefonica's stake in Alcatel's Spanish unit all the more surprising given that Telefonica continues to hold shares in the local subsidiaries of Ericsson, the Swedish telecommunications group, and AT&T of the US, both competitors of Alcatel, without being challenged by Brussels.

"We are all in favour of competition, but it must be balanced," said Mr Suard, normally known for his liberal economic views.

"Applying this requirement only to Alcatel sets up a strong distortion in the single market."

Mr Suard does not plan to contest the decision. However, his outburst does show that France's general unease over the application of EC competition policy has spilled over from the traditional wrangling over state subsidies into a new area for dispute; mergers.

Laura Ashley loss grows to £6.7m

By John Thornhill in London

LAURA Ashley, the fashion and furnishings group, yesterday announced steepening pretax losses to £6.67m ($11.27m) in the year to January 26, from £1.58m.

However, Mr Mike Smith, acting chief executive, said the company had achieved its main objective of strengthening its balance sheet. "This was a year of restructuring, rather than profit," he said.

Earlier in the year the company was involved in a refinancing. It later restructured by closing seven factories and its Units retailing chain, selling its Penhaligon, Bryants, Sandringham Leather and Helmond Printworks businesses, and cutting overheads.

It also announced a trading link with Aeon Group which resulted in the Japanese retailer taking a stake.

The rationalisation cut borrowings to £23m from £87m, reducing gearing to 25 per cent from 119 per cent. Disposals and tighter management controls helped cut stock levels by 38 per cent.

Sales rose 10 per cent to £327.53m but higher costs and an increased interest charge of £12.44m, against £8.64m, eroded gains.

Turnover in the UK grew to £143.6m from £142.6m, although the overall figure concealed a 4.1 per cent decline in like-for-like sales. Home furnishing sales remained flat because of the depressed housing market and garment sales fell as the recession bit.

North American outlets increased their sales contribution to £136.2m from £117.2m.

Sales in continental Europe were also strongly ahead at £40.7m, against £28.6m.

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Activity comes to a halt on USM

By Clare Pearson

FOR first time in more than 10 years, not one company chose to raise funds by joining the UK Unlisted Securities Market during the first quarter.

The drying up of activity is revealed in new issue statistics published yesterday by accountants KPMG Peat Marwick McLintock. KPMG monitors new issues on both the USM and the stock exchange's official list.

New issue activity on both markets was severely depressed during the quarter, largely due to the UK recession and uncertainties provoked by the Gulf war.

The statistics also revealed a new low in the steady, steep decline of companies seeking a USM quotation. The junior market, founded in November 1980, was once a bustling arena for the small and growing company.

Last year, the number of new issues was 47, raising a total of £40m worth of new money, down from 87 raising £308m in 1988.

Some followers of the USM are concerned that its relative decline will continue, even when investor appetite for new issues improves. Changes in stock exchange regulations have made it easier for companies to go straight to the official list.

KPMG said the USM last year suffered a net shrinkage as 29 of its constituents moved up to the main market.

AGF sees increase of 5%

ASSURANCES Générales de France (AGF), the country's second largest state-owned insurer, shrugged off losses on its international activities last year to produce a 5 per cent overall net profits increase, writes William Dawkins.

AGF's net earnings rose in line with forecasts to FFr2.7bn ($461m) from FFr2.57bn in 1989, on turnover up by 20 per cent over the same period, to FFr46.03bn from FFr38.22bn, the group said yesterday. Half of the turnover growth came from acquisitions.

Group investment income rose to FFr9.18bn from FFr7.67bn, while profits on asset sales climbed to FFr3.37bn from FFr2.45bn.

Life insurance produced an 8.8 per cent rise in sales to FFr15.9bn, with growth mainly coming from savings and retirement contracts. Profits on AGF's life activities rose by 4.6 per cent to FFr1.5bn net.

AGF's international division saw its turnover rise by 54 per cent to FFr11.2bn from FFr7.2bn, within which 38 per cent came from new acquisitions including NEM in Britain, ICI in Ireland and l'Escaut, a Belgian insurer.

AGF's reinsurance business produced a 17 per cent rise in turnover to FFr2.3bn.

French group advances

LYONNAISE des Eaux-Dumez, the newly-formed French water distribution and construction combine, reported increased turnover and profits for 1990, writes William Dawkins.

The group turned in net profits of FFr1.42bn ($230m) last year, slightly below the FFr1.48bn forecast by the Lyonnaise des Eaux water distribution group and the Dumez construction company at the time of their merger in July.

The result is a 12.8 per cent increase on the combined earnings in the previous year, on a 13.4 per cent increase in pro forma turnover to FFr72bn. Earnings per share rose 17.6 per cent to FFr31.6.

Mr Guy de Panafieu, group administrator and managing director, forecast that turnover would rise by between 5 and 10 per cent this year.

The former Lyonnaise des Eaux contributed FFr896m to net profits, well above forecast, while the old Dumez came in FFr101m below forecast with FFr529m, due to a collapse in earnings at United Westburne, its Canadian building materials and electrical equipment distribution subsidiary.

The new group's water and municipal services division contributed FFr1.42bn profit.

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ACIL sells 6.6% stake in Nine Network

By Kevin Brown in Sydney

AUSTRALIAN Consolidated Investments (ACIL), formerly Bell Resources, yesterday sold a 6.6 per cent stake in Mr Kerry Packer's Nine Network for A$55m (US$42.3m), cutting its holding to around 15 per cent.

The sale conflicted with an undertaking given to the Australian Stock Exchange in February that ACIL had no plans to reduce its shareholding in Nine Network, formerly part of Mr Alan Bond's Bond Media.

However, ACIL is understood to have decided to reduce its stake to help fund its acquisition of 50 per cent of National Brewing Holdings, formerly Bond Brewing.

Bond Brewing was sold to a joint venture between ACIL and Lion Nathan, the New Zealand brewer, as part of a sale of the assets of Bond Corporation, Mr Bond's flagship company, which is being restructured.

ACIL had hoped to finance payments due to Lion Nathan as part of the deal without reducing its holding in Nine, but recently reported an interim loss of A$90m.

Mr Colin Henson, an ACIL director, said the proceeds of the sale of Nine Network shares would be used for "internal funding requirements," but declined to give details.

He said there were no plans to dispose of the rest of ACIL's holding in the Nine Network, which was regarded as "a long-term investment".

Shares in the Nine Network have doubled in value since the company was acquired eight months ago by Consolidated Press Holdings (Conspress), Mr Packer's privately-owned master company.

The shares closed 2 cents higher on the day at 58 cents on the Australian Stock Exchange yesterday. ACIL shares closed 1 cent higher at 22 cents.

Conspress, which has a controlling 38.8 per cent stake in Nine Network, has also given an undertaking to the stock exchange that it has no plans to reduce its holding.

Inter-Continental Hotels takes a long view

Stefan Wagstyl reports on Saison Group's plans for the 102-unit chain

WHEN Saison Group, the Japanese stores and leisure combine, bought Inter-Continental Hotels in 1988, critics said the $2.3bn purchase price was too high.

On paper, they have a point. Over the past two years, Inter-Continental has failed to cover its financing costs, losing $60m in 1989 and running some $7m into the red last year.

But the company points out that its projections made at the time of the purchase were overtaken by rising world interest rates and, more recently, by the impact of the Gulf crisis.

Mr Yuji Takaoka, chairman of Seiyu, the trading company at the core of the Saison group, insists that Inter-Continental's performance is satisfactory. He draws attention to the hotel chain's operating profits which grew 20 per cent last year to $87.5m.

Mr Takaoka expects the investment to pay off in the long run. "For the first few years we have not set a prime goal of making profits. Of course, we don't want to see red ink. But rather than just achieve a big profit we want to develop a good network."

Mr Takaoka denies suggestions that the Saison group's finances are being stretched by the acquisition which was funded with bank borrowings totalling more than $1.2bn. "Inter-Continental is not a burden," he says, adding that the hotel chain is expected to cover its interest payments and make a pre-tax profit in 1991.

The London Inter-Continental will be refurbished if the Mayfair Hotel is sold

Saison Group, which used to be called Seibu Saison until late last year, is one of the best-known companies in Japan, with a portfolio of high-profile businesses and a colourful corporate history.

The group is a network of 130 companies, including seven which are publicly quoted, with interests ranging from Seibu Department Stores, Japan's biggest chain, to helicopters, banking and travel. It is controlled by Mr Seiji Tsutsumi, whose brother Mr Yoshiaki Tsutsumi has an even larger business empire based on railways. The two men, who inherited their fortunes from their father, are said to be bitter rivals.

Mr Takaoka says Saison companies are managed independently but co-operate on large projects such as the purchase of Inter-Continental. The bulk of the finance for the deal was raised by the group's listed companies.

Mr Takaoka concedes the increase in interest rates made the Japanese financial markets "very tight" and so made it more expensive than expected to finance the purchase. Saison group originally intended to replace its bank lending with long-term funds. But the difficulty of using the capital markets obliged the group last year to extend its bank loans.

The Japanese media say this arrangement also forced Saison group to revise its plans for Inter-Continental to squeeze more profits out of the operation in the next few years. According to Diamond Weekly, a business magazine, this will include more property sales than originally planned, among them the disposal of the Mayfair, in central London, one of Inter-Continental's top hotels.

Mr Takaoka says financial projections have been revised but not by very much. He declines to give figures. Also, far from selling hotels, Saison group has expanded the Inter-Continental chain from 95 in 1988 to 102, plus nine properties under construction. If hotels are sold in future it will be to streamline the chain, not to raise funds.

As for the Mayfair, which might be worth $400m, Mr Takaoka says the group is only considering selling it because a "very old friend" has offered to buy it. If the Mayfair is sold, it would allow the London Inter-Continental Hotel to be refurbished.

Mr Takaoka says that the disposals the group has made also show that critics are wrong in claiming the original purchase price was too high. He says top-class hotel rooms in the US are now trading at $0.4m-$0.5m each, compared with an average of $0.2m paid for Inter-Continental Hotels.

The group wants Inter-Continental to be a "European-style" chain, with a greater emphasis on individuality and personal service than is apparent in large US-owned chains, says Mr Takaoka.

The chain will also be developed inside Japan, starting with the opening of an Inter-Continental in Yokohama in July.

Autolatina blames state and strikes for 75% fall

By Victoria Griffith in Sao Paulo

AUTOLATINA, the Brazilian holding group for the Volkswagen and Ford marques, blamed state measures and a crippling strike for an inflation-adjusted 75 per cent fall in net profits for last year.

Net profits dipped to 11.6bn cruzeiros ($45m) which represents just 3.5 per cent of sales. In 1989, the group's return on sales was 15 per cent.

The numbers reflect the operations of Volkswagen for the first 11 months of the year and include the December profits of Ford, following the group's merger.

According to the company, production capacity was down to 60 per cent with the group operating for little more than 10 months of the year. The company halted production for a month after the the government's anti-inflation measures were put into effect last year.

Subsequently strikes, both at Autolatina itself and among suppliers of parts, further interrupted production.

As well as sending profits into steep decline, the difficult economic situation has pushed Autolatina heavily into debt. At the end of 1990, the group's ratio of liabilities to net worth ratio had risen to 78 per cent.

However, despite its financial troubles, the group plans to push ahead with substantial capital spending. This year alone, Autolatina will invest $550m.

CRA forecasts lower profits

By Kevin Brown

CRA, the Australian mining group, will report lower profits this year because of weak metals prices and slack world demand, Mr John Ralph, chairman, said yesterday.

Mr Ralph said profits earnings would be lower "but not by much," and stressed that forecasts were dependent on movements in metals prices and the strength of the Australian dollar.

CRA, which is 49 per cent owned by RTZ of the UK, reported net profits of A$472m ($365m) last year, compared with A$648m in 1989.

Mr Ralph said he was confident that CRA's hostile A$435m bid for Coal and Allied Industries (CAIL) would succeed.

Demand for fresh food lifts Tokyu stores 7.4%

By Robert Thomson in Tokyo

TOKYU store chain, part of Japan's Tokyu retail and railway group, yesterday reported a 7.4 per cent increase in pre-tax profit to Y4.77bn ($34.31m) in the year ended February 1991, citing strong demand for fresh food items as the reason for the rise.

Sales increased by 6 per cent to Y256.85bn, with a 9.6 per cent rise in fresh food sales and a 0.6 per cent increase in clothing sales, which were affected by an unusually warm winter.

The company said profit margins were improved by a streamlining of stock control, but higher interest rates increased payment burdens. For the current year, the company expects a marginal increase in pre-tax profit to Y4.87 on sales of Y265bn.

● Life Stores, another supermarket operator, reported an 8.6 per cent increase in sales to Y158.5bn and a 15.3 per cent rise in pre-tax profit at Y3.8bn.

The company expects pre-tax profit for this year to increase by 5 per cent to Y4bn on sales of Y175bn, a 10.4 per cent increase.

● ASCII Pictures, a subsidiary of computer Japanese software and chip manufacturer ASCII Corporation, has reached an agreement with Edward R. Pressman Film Corporation, based in Studio City, California, to buy 33.3 per cent of Pressman's shares for $7.5m.

LEGAL NOTICES

ZARA DANIELLE DEVELOPMENTS LIMITED

Registered number: 2172963
Nature of business: Property Holding Company
Date of appointment of joint administrative receivers: 4 April 1991
Name of person appointing the administrative receivers: Midland Bank Plc
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(office holder nos 066 and 288) of Cork Gully,
Churchill House,
Churchill Way,
Cardiff, CF1 4XQ

Exxon income soars 75% to record

By Bernard Simon in New York

EXXON, the world's biggest oil company, posted record earnings in the first quarter due to unusually wide refining margins.

Despite a halving in income from US exploration and production operations, earnings soared by 75 per cent to $2.2bn, or $1.78 a share, from $1.3bn ($1.01 a share) a year earlier. Revenues grew by almost 15 per cent to $30.7bn.

The amount of oil that Exxon refined edged up by only 3.5 per cent in the past three months. But, like other US oil companies, it benefited handsomely from high refining margins, especially outside North America.

Earnings from foreign refining and marketing operations surged fivefold to $1.1bn, compared with $219m a year earlier.

US operations turned to a profit of $256m from a $28m loss. The foreign component includes $160m from the sales of an Australian refinery and a supertanker.

The huge first-quarter refining profits were caused by a coincidence of factors, including loss of capacity in the Middle East, falling crude oil prices and high winter production of heating oil rather than high-octane grades.

Mr Lawrence Rawl, chairman, noted that refining profits began to shrink during the first quarter, and were approaching more normal levels.

However, Mr Ivan Obolersky, analyst at Shields & Co in New York, predicted that the industry's margins would be underpinned for some time by the trend towards low-pollution, high-octane fuels.

Low crude oil prices also helped Exxon's chemicals business, where earnings jumped by 23 per cent to $223m, despite a 5 per cent fall in sales volumes. The company cautioned that some softening in margins was apparent at the end of the quarter. Higher sales of petroleum products also contributed to the surge in earnings.

The sharp fall in earnings from US exploration and production was ascribed partly to write-downs on properties earmarked for disposal. North American natural gas output slipped to 2.2m cubic feet a day, from almost 2.5m cu ft.

Refining side boosts Chevron earnings

By Bernard Simon

A JUMP in Chevron's first-quarter refining and marketing income more than offset a decline in US exploration and production, resulting in an 18 per cent rise in net earnings for the San Francisco-based energy producer.

Earnings climbed to $557m, or $1.59 a share, from $473m, or $1.33, a year earlier. Revenues rose to $10.8bn from $9.3bn.

Despite the sharp increase for the period as a whole, Mr Ken Derr, Chevron chief executive, noted that earnings slid at the end of the period as crude oil prices settled at lower levels, US refining margins began to erode and prices and demand for natural gas fell.

Refining and marketing income soared to $283m from $130m. This year's profits would have been higher without a $47m charge for environmental provisions and asset write-offs.

Sales of natural gas in the US edged down to just less than 3m cubic feet a day, from 3.1m cu ft last year.

Income from chemicals dipped to $73m from $123m, but last year's figure included a $59m gain from chemicals licensing agreements. Operating earnings increased by 14 per cent.

Du Pont turns in profits down by 4% for quarter

By Karen Zagor in New York

DU PONT, the biggest US chemical company, yesterday turned in first-quarter earnings that were slightly better than expected due to strong gains from its petroleum business which offset the erosion in earnings from core fibres and plastics operations.

Net income for the three months ended March 31 fell 4 per cent to $590m, or 88 cents a share, from $615m, or 90 cents, a year earlier. The 1990 earnings included a one-time charge of 6 cents a share.

Strong petroleum sales spurred a 3 per cent improvement in Du Pont's overall sales in the first quarter to $9.7bn from $9.4bn while the petroleum business recorded sales of $4.06bn, up 15 per cent in the quarter.

However, Du Pont said combined sales from other segments fell 2 per cent in the first three months of 1991, reflecting a 6 per cent decline in US volume.

On Wall Street, Du Pont's shares added $½ to $41 in active mid-day trading.

Strong margins for refined products and higher prices and volumes for crude oil and natural gas contributed to a 63 per cent improvement in earnings from Du Pont's petroleum business in the three months, to $322m from $197m.

Du Pont's results underscored the importance of a diverse earnings base to companies operating in the cyclical chemicals industry. Monsanto, one of the more diversified US chemicals companies, posted a 14 per cent drop in first-quarter net to $166m, or $1.31 a share, on revenues which fell 3 per cent to $2.22bn.

Du Pont's chemicals business recorded after-tax operating income of $78m, against $129m in the first quarter of 1990. The 1991 figures include an $18m charge associated with Du Pont's partial withdrawal from the freon manufacturing business. Earnings were also hurt by higher costs for developing alternatives to chlorofluorocarbon (CFC) and falling demand for CFC products.

Income from Du Pont's fibres business dropped 17 per cent to $65m, including one-time charges of $27m.

In Du Pont's polymers business, the impact of the slowdown in the North American vehicle and construction industries was partly offset by improved results in Europe. After-tax income from the polymers segment fell 17 per cent to $68m from $82m.

Beer sales ride the recession

By Nikki Tait in New York

ANHEUSER-BUSCH, the largest US brewer, has weathered both the recession and a rise in federal excise tax to post a 10.1 per cent improvement in first-quarter profits, at $200.9m after tax.

During the three months to the end of March, Anheuser's sales rose by 6.2 per cent to $2.92bn. Earnings per share were up to 70 cents from 64 cents.

The St Louis-based group sold 20.4m barrels of beer to wholesalers, up by 1.4 per cent on the 20.1m sold in the same period a year earlier.

However, it said sales from wholesalers to retailers were lower in the first quarter, because of the build-up in stocks which occurred at the end of 1990.

From the start of 1991, the increase in federal excise tax took effect, causing the price of beer to increase by about 10 per cent, according to Anheuser.

The beer giant said it reckoned that about 1.2m barrels of industry sales were switched from the first quarter of 1991 to the last quarter of 1990 as a result.

"Industry sales for the first quarter are expected to be down by approximately 5 per cent," said Anheuser, although it claimed that its market share had improved by about 1 to 2 per cent.

Elsewhere, the Campbell Taggart food subsidiary – whose products range from bread to frozen dinners – saw first-quarter profits increase, thanks to the contribution from international operations, higher volumes and improved margins.

Results at the can manufacturing interests also improved, but Anheuser said theme parks nationwide had been affected by the decline in tourist travel and warned that the weak economy might continue to hit these interests in 1991.

Wang optimistic despite loss

By Bernard Simon

WANG Laboratories, the faltering US computer maker, reported another quarterly loss, but expressed confidence that improved liquidity, further belt-tightening and a new product strategy boded well.

Wang, which has been in the black for only one of the past 10 quarters, suffered a $48.9m loss – 30 cents a share – in the three months to March 31. It lost $146.6m (90 cents a share) a year earlier.

Revenues fell by 16 per cent to $500m, in line with earlier warnings that a tailing-off in sales of the company's word processors and mini-computers would more than offset advances in its new electronic-imaging products.

Mr Richard Miller, chairman, blamed the third-quarter slump on the recession in general and in the computer market in particular. But he noted that cash reserves of $194m were at their highest for 18 months.

He said the downturn had slowed the momentum of Wang's turnround efforts, and that further austerity measures were being considered.

Mr George Elling, analyst at Merrill Lynch, noted yesterday that Wang had been late in adjusting to changes in the computer industry. "It has a major challenge to restructure its overall business," he said. "The question is how long the transition will take."

This year, Wang unveiled a strategy called Office 2000, designed to computerise many paper-intensive office jobs.

A product line will be designed to allow financial institutions, government departments and other large paper users to scan documents, and then store and retrieve them electronically.

Armco slips into red and sees year loss

By Nikki Tait

FURTHER indications of the troubled times facing the US steel industry were revealed yesterday as Armco, one of the large integrated producers, posted a first-quarter loss of $39.6m after tax.

This compares with a $12.9m profit in the same period of 1990.

Armco also warned that, despite steps being taken to cut costs, it would probably make a loss in the second quarter and in the full year. The company said that it "does not anticipate an economic upturn in the second quarter, nor expect steel to recover significantly in the second half".

Its pessimism echoes that of Bethlehem Steel, which also unveiled a first-quarter loss earlier this week and said it expected to remain in the red in the second quarter.

A number of smaller, specialised steel companies have also reported first-quarter losses.

The bulk of the losses reported by Armco stemmed from Armco Steel Company, a joint venture with the Kawasaki Steel Company, which makes carbon flat-rolled steel and tubing for the automotive, construction and industrial machinery industries.

This lost $61.6m in the first quarter, of which Armco's share was $31.6m. Sales for ASC were $334.3m, down 16 per cent on the previous year. The venture made a $50.5m operating loss last year, and a reorganisation of operations is under way.

Elsewhere, Armco operations made a $900,000 operating profit overall in the first quarter – down from $28.2m in the same period a year earlier – although there were small losses in fabricating and processing, and bar, rod and wire products. After interest charges, this became a $8.4m loss.

● Inland Steel, the Chicago-based steelmaker which last week reported a $40m net loss for the first quarter, has passed its quarterly dividend. It cited a "severe depression" in its primary markets, but said it would restore payments "as soon as possible" after the company moved back into profit and the steel industry recovered.

Procter & Gamble rises 5% to $424m

By Nikki Tait

PROCTER & Gamble, the large US consumer products group which recently agreed to buy the Max Factor and Betrix businesses from Revlon for $1.14bn, yesterday announced a modest 5 per cent improvement in after-tax earnings during its third quarter, at $424m.

Sales for the three months to end-March were up more sharply, at $6.79bn – an 11 per cent rise on the $6.12bn scored in the same period a year earlier. But earnings per share rose only marginally, by 1.8 per cent, to $1.16.

With the figures at the lower end of expectations, the company's shares eased by ⅞ to $84.

P&G acknowledged its US business – where brand names range from the Cover Girl cosmetics line to detergents such as Tide and Bold – had been affected by the economic recession. It said the international operations "remained very healthy".

Mr Edwin Artzt, chairman, said the relatively small earnings improvement "reflected substantial investment in new products, principally the expansion of compact detergents in the US, as well as heightened competitive activity in the coffee business".

Saudi investor lifts Chase stake

AN investment group controlled by Mr Suliman Olayan, the billionaire Saudi financier, has increased its holding in Chase Manhattan Bank from about 4.2 per cent to about 5.2 per cent, writes Karen Zagor.

The $158m stake in Chase, the second biggest US commercial banking group, is held by Crescent Diversified, a subsidiary of Mr Olayan's US investment arm Olayan Group. The investment comes two months after Saudi Prince Alwaleed Bin Talal bought $590m of convertible stock in Citicorp.

Unlike Prince Alwaleed, who had been a private customer of Citicorp for about 10 years but only started buying Citicorp shares on the open market last year, the Olayan Group has invested in Chase for many years.

In a filing with the Securities and Exchange Commission, Crescent said it bought 1.2m shares between March 1 and April 15 at prices ranging from $14.37 to $20.

The Olayan Group, founded by Mr Olayan in 1947, holds stakes in J.P. Morgan, First Chicago and Transamerica, First Chicago.

Sales decline at Goodyear

By Karen Zagor

GOODYEAR Tire & Rubber, the last surviving big US tyre-maker, yesterday unveiled a considerable first-quarter net loss on declining sales.

The Ohio-based company had warned it would post a first-quarter loss, and shares in the company added $⅝ to $21⅞ at midsession on the New York Stock Exchange.

The company, which has cut jobs, restructured and slashed its dividend in a bid to return to profitability, expects to be back in the black in the second quarter if the economy in North America improves.

But Goodyear's problems run deeper than the recession and decline in vehicle production.

The company is struggling under the burden of its disastrous $1.6bn investment in the All American Pipeline, an oil pipeline from California to Texas that is operating at only a fraction of capacity and has had to be written down. Goodyear expects these operations to eat into earnings for at least two years.

Stripping out extraordinary items, Goodyear suffered a loss of $30.4, or 52 cents a share, in the first three months of 1991, against profits of $16.5m, or 29 cents, a year earlier.

In the 1991 quarter, Goodyear took a one-off, after-tax charge of $59.7m, or $1.02 a share, related to job cuts and the discontinuation of its efforts to establish a tyre factory in South Korea. In the 1990 quarter, the company had extraordinary gains of $4.4m, or 7 cents a share.

Including the one-time items, Goodyear's net loss for the 1991 quarter was $90.1m, or $1.54, against net income of $20.9m, or 36 cents a share.

The company said the downturn in the tyre and rubber industry reduced first-quarter worldwide sales by 7.2 per cent to $2.5bn.

In the US, operating income dropped to $30.1m from $82.8m a year ago, partly reflecting unusual charges of $34m in the 1991 quarter.

Sales fell 9.5 per cent to $1.4bn.

Weak demand reduced Goodyear's tyre sales by 7.5 per cent. Operating income fell to $62.8m, including one-time charges of $46.9m, from $129.9m.

The company's oil transportation business extended its operating loss to $25.1m from $14.6m, reflecting losses on oil sales in spite of reduced operating expenses.

Short Bros inclusion for year boosts Bombardier

By Robert Gibbens in Montreal

BOMBARDIER, the aerospace group which owns Short Brothers of Belfast and Learjet in the US, unveiled profit in line with analysts' estimates for fiscal 1991. Sales were up 35 per cent.

For the 12 months ended January 31, net profit was C$100.1m (US$86m), or C$1.41 a share, up from C$91.5m, or C$1.36, in fiscal 1990.

Sales were C$2.89bn against C$2.1bn.

Fourth-quarter profit was C$33.3m, or 46 cents a share, against C$30.3m, or 45 cents, a year earlier, but sales were down to C$802m against C$837m.

The gain in 1991 sales was due to inclusion of Short Bros and ANF Industrie for the full year, against only four months in fiscal 1990.

Fourth-quarter sales were pulled down by problems in the business jet market.

● The recession and higher loan losses hit CT Financial Services, the biggest unit of Imasco, in the first quarter. Profit was C$52.6m, or 42 cents a share, down from C$59.9m, or 49 cents, a year earlier.

CT Financial operates Canada Trustco, one of the country's two biggest trust companies.

● Sears Canada had a first-quarter loss of C$25.8m, or 31 cents a share, against a loss of 12 cents a share in the same period a year earlier.

Sales dipped 10 per cent to C$817m, mainly because of the recession and tax changes.

Black & Decker earnings halved

BLACK & DECKER, the home appliances and power tools maker, saw its first-quarter earnings halved, but it hoped that an economic revival and low retailer inventories would boost profits later this year, writes Bernard Simon.

Net earnings tumbled to $4.1m, or 7 cents a share, from $10m, or 17 cents, a year earlier. Revenues rose by 8 per cent to $1.1bn, thanks to the inclusion of information systems business acquired as part of the 1989 purchase of Emhart Corp. Product sales dipped by 7 per cent.

Financing costs fell by 9 per cent to $78.5m, reflecting lower interest rates.

The company said business conditions remained difficult in the US, the UK, Canada, Brazil and Australia. Temporary plant closures are squeezing margins, but are expected to bolster cash flow.

INTERNATIONAL COMPANIES AND FINANCE

Strong demand pushes gilt auction to success

By Sara Webb in London and Patrick Harverson in New York

THE Bank of England's first gilt auction in nearly three years was hailed as a resounding success yesterday. The full amount of £1.2bn of 10 per cent Conversion stock 1996 was gobbled up by the market amid signs of strong demand for the stock.

The Bank of England received bids of £5.375bn for a total of £1.2bn in stock, so the issue was covered 4.45 times.

The highest accepted bid was £98¾, corresponding to a yield of 10.32 per cent, while the lowest accepted bid was for £98⅝, corresponding to a yield of 10.35 per cent. The rounded average accepted price was £98⅝, corresponding to a yield of 10.34 per cent.

Traders said the short "tail" and the high cover were signs that the auction was a roaring success. The tail – which is the difference between the average yield and the yield corresponding to the lowest price – was only one basis point.

The Bank of England said bids at the lowest accepted price were allotted 46.5 per cent of the amount for which they applied.

The when-issued stock opened at £48¾, only a couple of ticks above the average bid price when bidding took place, and was trading at £48¾ by late morning, equivalent to a fully paid-up price of £98¾. Demand came mainly from domestic buyers, traders said.

The Bank of England is expected to hold a further two or three auctions this year.

Otherwise, the gilts market drifted up during the day, but volumes were low.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-19	-01/32	10.64	10.64	10.67
		9.000	03/00	93-16	+03/32	10.12	10.08	10.17
		9.000	10/08	93-01	+03/32	9.84	9.83	9.94
US TREASURY *		7.750	02/01	97-17	+01/32	8.12	7.98	8.12
		7.875	02/21	95-20	+03/32	8.27	8.09	8.31
JAPAN	No 119	4.800	6/99	88.0242	-0.111	7.12	7.03	6.93
	No 129	6.400	03/00	98.1073	-0.164	6.74	6.66	6.56
GERMANY		9.000	01/01	103.7500	-0.110	8.41	8.33	8.50
FRANCE	BTAN	9.000	02/96	99.6133	-0.113	9.08	9.01	9.22
	OAT	9.500	01/01	103.9400	-0.230	8.86	8.81	9.11
CANADA *		9.750	06/01	100.7500	+0.300	9.63	9.49	9.59
NETHERLANDS		8.500	03/01	99.6100	+0.180	8.56	8.55	8.74
AUSTRALIA		13.000	07/00	111.7373	+0.368	10.94	10.94	11.34
BELGIUM		10.000	06/00	105.0500	-0.050	9.15	8.92	9.12

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

■ German bund prices edged up in the morning but slipped back again later.

A statement from Bundesbank board member Mr Otmar Issing, quoted in a German magazine, did little to reassure the market. Mr Issing said the Bundesbank would do everything it could to keep the D-Mark stable, but recognised that the impact of foreign exchange intervention was limited.

■ Yesterday's auction of Japanese Government Bonds was well received, dealers said. The auction was for Y800bn of the No 140 ten-year bond with a coupon of 6.6 per cent. The average price was 100.38, corresponding to a yield of 6.537 per cent while the lowest accepted bid was for 100.30, corresponding to a yield of 6.55 per cent. The short tail was seen as a sign of strong retail demand, traders said.

Otherwise, prices in the market slipped during the day with the yield on the benchmark No 129 bond moving from 6.7 per cent in the morning to close at 6.74 per cent.

■ US government bond prices traded quietly in thin volume yesterday morning as the market quietly awaited the afternoon auction of two-year notes.

At midday, the benchmark 30-year Treasury issue was unchanged at 95⅝, to yield 8.268 per cent, while the two year note was up ⅛ at 100⅛, carrying a yield of 6.988 per cent.

Although there were some worries over the market's ability to absorb the additional supply, analysts predicted that the sale of two-year securities would go off smoothly. Another auction, of five-year notes, is due later today.

The market was also keeping an eye yesterday on the mid-April car sales figures that were scheduled to be released during the day. Any sign that sales of cars are not picking up could help bond prices.

Fokus Bank president steps down

By Karen Fossli in Oslo

MR CHRISTIAN KJOELAAS, the president of Fokus Bank, Norway's third biggest bank, yesterday stepped down, just two months after the announcement that the bank had run up a big loss for 1990.

Last December, Fokus was given a three-year NKr1.5bn conditional guarantee with renewal options by the banks' guarantee fund which forced the bank to write down its share capital by 50 per cent. Fokus lost NKr992m last year after a net profit of NKr101.9m in 1989. A new board was appointed one month ago, headed by Mr Stein Holst Annexstad, a former executive with Hafslund Nycomed.

In a terse statement, Mr Kjoelaas said he agreed to resign following the board's recommendation.

The board said that the bank was facing such great challenges connected with its demanding economic situation that it felt Fokus should be led in future by someone without historical ties to the bank.

"The bank needs a new president and this will make it easier for the new board to implement the right strategy for the bank's future," Mr Kjoelaas said.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Latest prices at 6:10 pm on April 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	101¾	-⅛	8.04
ALBERTA PROVINCE 9 3/8 95	600	103½	103¾		8.38
AUSTRIA 8 1/2 00	400	98⅛	99	+⅛	8.72
BANK OF TOKYO 8 5/8 96	100	98⅝	99⅛	-⅛	8.72
BELGIUM 9 1/8 92	400	102	102½		7.50
BFCE 7 3/4 97	150	97¼	98⅛		8.24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS: [illegible]

SWISS FRANC STRAIGHTS: [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94⅛	94⅝		7.13
CANADA 4 3/8 92	80000	96¼	97		7.36
CREDIT FONCIER 5 1/4 94	20000	93¾	94¼	-⅛	7.24
DENMARK 7 95	40000	99¾	100¼	-⅛	7.03
EIB 4 5/8 94	40000	93⅛	93⅝		7.13
GENERAL ELECTRIC 5 3/4 93	35000	96¾	97⅛	+⅛	7.54
INTER AMER DEV 7 1/4 00	30000	102⅜	102⅝	-⅛	6.89
ITALY 5 3/4 92	150000	98⅛	99		7.34
KANSAI ELEC PWR 4 5/8 94	60000	92⅞	93⅛		7.34
NIPPON TEL & TEL 5 7/8 96	50000	95⅛	95⅜	-⅛	6.99
NORWAY 5 1/8 95	50000	93⅛	93⅞		7.03
SWEDEN 5 5/8 95	20000	94⅛	95⅛		7.07
WORLD BANK 6 3/4 00	50000	99⅛	99⅞	-⅛	6.80

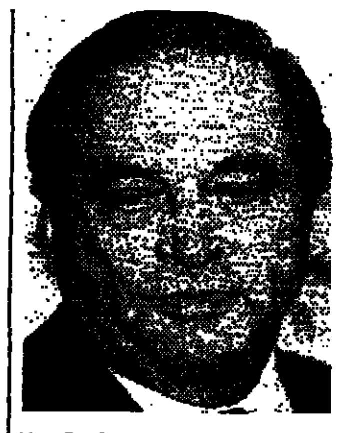
OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	93¼	94¼		9.49
KREDIETCORP 7 93 LFr	1000	94¼	95¼		9.63
WORLD BANK 8 96 LFr	1000	95½	96¼		9.13
ALBERTA PROVINCE 10 92 C$	500	99¾	100¼		10.04
BCE INC 9 5/8 93 C$	300	98¾	99½	-⅛	10.27
BELL CANADA 10 5/8 99 C$	150	99⅝	100¼	-⅛	10.65
BRITISH COLUMBIA 9 1/4 93 C$	150	98¾	99½		9.91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GOLD KALGOORLIE 7 1/2 00	65	1.0554	59½	60½	+28.55
GOODYEAR TIRE 6 7/8 03	150	80¼	63¾	64½	
GRACE (WR) 6 1/4 02	150	42¼	87⅝	88⅝	+19.55
GRAND MET 6 1/4 02 £	100	6.58	119¼	120¼	-1.18
HAWLEY 6 02 PREF	400	1.91	90¼	92¼	+79.60
HILLSDOWN 4 1/2 02 £	150	4.16	108	109¼	+72.80
INTL PAPER 5 3/4 02	200	68¼	98⅞	99⅞	+7.94
LAND SECS 6 3/4 02 £	84	6.72	87¼	88¼	+9.59
MITSUBISHI BK 1 3/4 02	300	2727.1	106¼	108¼	-1.87
OGDEN 6 02	85	39.077	70¾	71¼	+49.13
PACIFIC DUNLOP 6 3/4 97	75	3.749	112	113¼	-0.66
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	82¾	83¾	+64.02
THORN EMI 5 3/4 04 £	103	7.45	111¼	112¼	+15.95

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



Karl Otto Poehl: heads committee studying Ecu

EC leaders seek Ecu borrowing network

By David Buchan in Brussels

THE European Commission is to suggest to EC governments and central banks that they inform each other more about their borrowing plans in Ecu, so as to avoid a repeat of the recent flood of Ecu paper by sovereign borrowers.

At its weekly meeting, the 17-member EC executive body yesterday approved a communication to the EC Council of Ministers suggesting that sovereign issuers of Ecu bonds should establish an informal network, and more formal meetings once or twice a year, to put a little more order into the market.

In the second two weeks of February there were 10 Ecu bond issues, totalling Ecu 8.75bn, or equivalent to one third of all borrowing done in the composite currency in the whole of 1990. The Commission notes that 90 per cent of these bonds, Ecu 7.9bn to be precise, were issued by EC member-states or Community institutions.

The Commission felt itself somewhat caught in the Ecu rush when it found financial institutions temporarily reluctant to subscribe to the Ecu 1bn it raised earlier this year as a first loan tranche for Greece.

EC officials say there is a group of government borrowers that occasionally meets under the auspices of the Organisation for Economic Co-operation and Development (OECD). But its membership and scope of interest is too wide to focus on the Ecu, in which Brussels takes a particularly paternal interest as the future single money of the Community.

"It is surprising to learn that the people in the Bank of England borrowing Ecus for the UK Treasury don't know the names and telephone numbers of their counterparts in the Banque de France," said one official.

For rather different reasons, the committee of EC central bank governors, headed by Mr Karl Otto Poehl, has been studying why the Ecu has acquired a premium in the market over the collective value of its individual components. EC officials explain that while the premium may be small – still under 1 per cent – its existence is a source of particular concern to Germany, which opposes any parallel currency.

"The more the Ecu takes on a role independent of its own basket definition, the more it looks like a currency," said one EC official. Mr Karl Otto Poehl is also head of the Bundesbank.

Dutch bank cuts charges on personal stock deals

NMB POSTBANK, the banking arm of Internationale Nederlanden Groep, is to reduce charges on stock exchange transactions to individual investors, AP-DJ reports from Amsterdam.

NMB Postbank said that under its new system it would charge a minimum of Fl 50 for the purchase of shares and Fl 30 for the sale of shares. Above the minimum, the charge remains 0.5 per cent of the total transaction value.

Previously, NMB Postbank charged a minimum of Fl 75 for both the purchase and sale of shares and charged an additional Fl 12.50 fee for the transaction, which the bank termed a "fixed fee", bringing the total minimum charge to Fl 87.50.

Last July, the Dutch Finance Ministry abolished a fixed system of charges that stock brokerage houses had to charge customers in favour of letting brokers charge whatever they thought the market would bear.

The move to floating fees was designed to increase the competitiveness of the Amsterdam Stock Exchange, which had lost business to foreign exchanges, particularly the London exchange.

INTERNATIONAL CAPITAL MARKETS

Investors snap up Spain's offer as ratings improve

By Tracy Corrigan

SPAIN's second and largest Ecu bond offering was sold out almost instantly as pent-up demand for sovereign benchmark issues fuelled investors' enthusiasm.

Unlike Italy, whose triple-A credit rating is under review, Spain, rated Double-A2 by Moody's, the US agency, is considered an improving credit.

The five-year bonds were priced to yield 9.08 per cent, the same level as Spain's outstanding Ecu500m issue due 1995, launched a year ago. The old issue was quite tightly held by investors, so there was little paper available in the secondary market.

Although the deal was easy to sell, underwriters in London were unhappy at the handling of the offering.

First, the indicated range for the yield was changed, when demand proved firm. Then, allocations of bonds were smaller than underwriters had been led to expect.

Some underwriters had shorted the issue, that is, sold bonds they did not yet have; when allocations were reduced, they were forced to cover their short positions by buying them back at higher prices, given the strong demand, traders said.

Nearly 20 per cent of the deal has been reserved for placement in Spain, where an extensive marketing campaign is currently under way.

However, only 5 per cent of the first deal was placed in Spain, so more bonds could find their way to international investors in a few weeks' time.

Spain had been expected to extend its maturity profile, but instead chose to bring a second five-year deal.

According to lead manager Banesto, Spain did not wish to lock in Ecu rates over too long a maturity, because Ecu yields are likely to fall in the longer term.

An Ecu300m deal, fungible with an outstanding Ecu335m issue, for the European Investment Bank, was largely pre-

INTERNATIONAL BONDS

placed in Japan. Lead manager Nomura International said the issue was targetted at Japanese retail investors in an attempt to widen the investor base for Ecu bonds. Consequently, there was no clash with the Spanish issue.

In the dollar sector, a $250m three-year deal for Compagnie Bancaire met firm demand, but put tightly priced issues for two other European financial institutions, Landeskreditbank Baden-Württemberg and Credit Local, launched on Tuesday under further pressure.

The Compagnie Bancaire deal was priced to yield 82 basis points above the three-year US Treasury, compared with 48 and 47 basis points respectively for the LKB and Credit Local deals.

Although Compagnie Bancaire is a slightly lesser credit, the 35 basis point differentiation was considered excessive. The LKB spread widened to 58 basis points, and the Credit Local spread to 56 basis points.

In the equity-linked sector, Merrill Lynch introduced its LYONs (liquid yield option notes) structure to the Eurobond market, issuing a $150m European tranche of a $1bn US offering for WR Grace, the chemical, healthcare and energy group. The zero-coupon 15-year notes are convertible into shares, and puttable after five and 10 years.

● Sumitomo Bank, the world's third largest bank, has had its Aa1 credit rating put under review for possible downgrade by Moody's Investors Service.

Sumitomo lost it's top triple-A rating from both Moody's and IBCA, the European rating agency, last year. The bank has $4.3bn of long-term debt outstanding.

● The French government received close to 50 per cent acceptances for its Ecu OAT exchange offer. Holders of Ecu950m 8.5 per cent OATs maturing 1997, out of a total issue size of Ecu1.9bn, opted to receive in exchange new 8.5 per cent OATs maturing 2002.

Additional acceptances from retail investors, who have until April 30 to exchange, should give the new issue an initial size of around Ecu1bn.

The new bonds were priced to yield 10 basis points more than the old shorter-dated issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Compagnie Bancaire(a)†	250	8¼	101.275	1994	1⅜/1¼	CSFB
WR Grace & Co.(d)§	150	zero	30.832	2006	-	Merrill Lynch Int.
ECUs						
The Kingdom of Spain(a)†	1bn	9	99.70	1996	0.275	Banesto
EIB(b)†	300	9	101.755	1999	2/1.95	Nomura Int.
CANADIAN DOLLARS						
Eksportfinans A/S(a)†	150	10¼	101.745	1996	1⅞/1.775	Wood Gundy
FRENCH FRANCS						
Bqe.Nationale de Paris(a)†	1.5bn	9⅜	101.44	1996	1⅞/1.575	Bque.Nationale de Paris
SWISS FRANCS						
Deutsche Bk Finance NV(a)★★†	100	6¼	102	1996	-	Deutsche Bk (Suisse)
Japan Systems(c)★★§	70	4¼	100	1995	-	Daiwa (Switzerland)
Tiroler Ferngas(a)★★†	40	6⅞	102	1996	-	Swiss Volksbank
YEN						
Marubeni America Corp(a)†	10bn	7.3	101.1875	1996	1⅞/1.725	Nomura Int.

★★Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing Ecu335m deal from 6/91. Non-callable. c) Put option on 30/9/93 at 107% to yield 7.027%. Coupon payable semi-annually. d) Puttable in year 5 at 45.639% and year 10 at 67.557%. No call for first 2 years subject to 150% rule, then callable at accreted value, thereafter.

Group gets together to form mutual fund family

SALOMON Brothers Asset Management has agreed with Wood Logan Associates and North American Security Life Insurance to organise and promote a family of open-end mutual funds, AP-DJ reports from New York.

Salomon will act as investment adviser for the funds. North American Security Life will provide administrative services and Wood Logan will handle the marketing and distribution through licensed securities dealers.

"Through these new funds, individual investors can now access the investment expertise and types of products that were previously only available to large institutions," said Mr Michael Holland, chairman of Salomon Brothers Asset Management.

● American Express and Sumitomo Bank of Japan are to create a jointly owned company and issue Sumitomo-branded American Express Gold Cards in Japan.

American Express said cards issued by the venture would provide all the services available to American Express Gold Card members.

American Express will process charges and provide billing and customer services.

American Express said its own brand of gold cards would continue to be offered in Japan, in addition to the venture's cards.

Japan Airlines plans listings

JAPAN Airlines (JAL) is planning stock market listings in London, New York and Paris to help finance new aircraft purchases and other capital expenditure totalling nearly $12bn over the next 10 years, writes Paul Betts, Aerospace Correspondent.

JAL executives confirmed the plans in a report to be published today in the latest edition of Business, the magazine jointly owned by the Financial Times and the Condé Naste group.

JAL is also considering acquiring a stake in either a US or European carrier.

Few tears shed for open outcry

Jim McCallum examines the options market's own Big Bang

SIX years after the UK stock market disappeared from its trading floor in the Stock Exchange tower and moved to a screen-based dealing system, the London Traded Options Market is about to undergo its own Big Bang.

Huddled in a corner of the Stock Exchange's old dealing floor, the traded options market is all that is left of the old world of jobbers and brokers where securities were once bought and sold on a face-to-face basis.

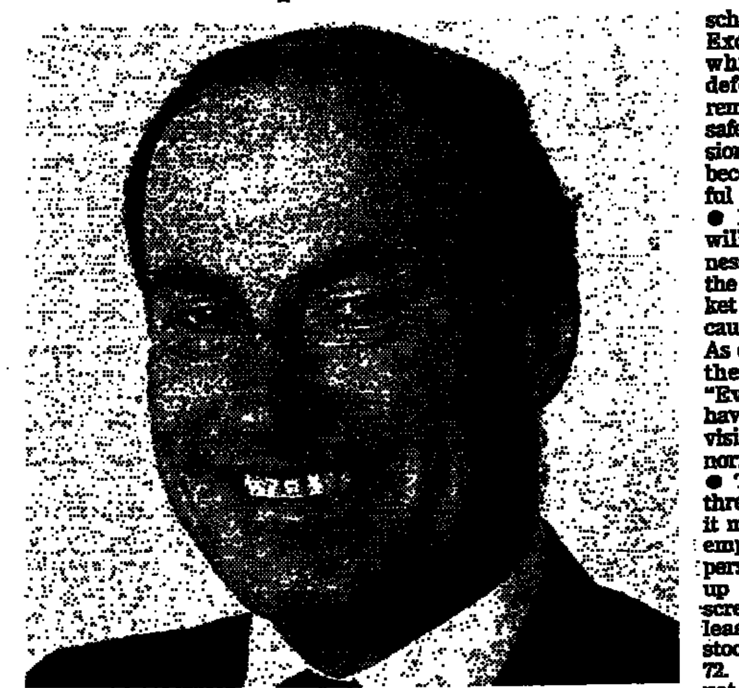
All that is about to change. After behind-the-scenes prodding by the Bank of England, the options market and the London International Financial Futures Exchange took the plunge and announced last year that they would merge.

This was greeted with a huge sigh of relief by options dealers who saw merger as the only hope for a market which has failed to compete with its US and European counterparts. The hope was that the success of Liffe would rub off on the options market.

So the letter which options traders received this week from the LTOM and Liffe boards will have come as nothing less than a tremendous bolt from the blue. Rather than rescuing options floor trading, the new market is to be screen-based and threatens to put many dealers out of work.

Only the FT-SE 100 index option is to remain as an open-outcry market and will be joined by the FT-SE Eurotrack 100 index when it is launched. "Everyone was taken by surprise. We thought it would be five or 10 years before stock options moved onto the screens," said a manager of an independent options brokerage.

But the speed with which LTOM is to be restructured is a reflection of the desperate state the options market has reached. The daily options turnover is regularly less than the 30,000 contracts needed for LTOM to cover its costs and for brokers to break even.



Michael Jenkins: trading openness discourages investors

A round of redundancies has just been completed at a number of leading securities houses and yet costs are still out of control. Just yesterday, Hoare Govett announced it is to pull out of options market-making. The lack of business leads to less competitive quotes for options and an irregular updating of prices, which in turn discourages investors.

As one options executive said: "The quality of prices leaves an awful lot to be desired. There are 2,500 options series but on average day just 32 are updated."

Mr Tony de Guingand, managing director of LTOM, and Mr Michael Jenkins, chief executive of Liffe, believe that the openness of trading options discourages investors. A broker who buys options is letting the whole market know he or she has a certain position and is then at the mercy of the market when that trade needs to be unwound.

The success of the Deutsche Terminbörse, the German futures and options market, and the Swiss Options and Financial Futures Exchange, both of which are screen-based, has encouraged LTOM into its own Big Bang.

However a number of uncertainties remain:

● The cost of entry into the new market. Sophisticated computer technology will be required and it is not clear whether smaller independent traders will be able to afford this.

● Whether the new trading system will be a genuinely competitive market or will just display indicative prices for nominal amounts of options. The proponents of the new scheme vow to avoid the Stock Exchange quote machines, which suffer from these defects. But the suspicion remains that unless there are safeguards and strict supervision the options market will become dominated by a handful of large securities houses.

● If an anonymous market will actually encourage business. Larger institutions said the current open outcry market rarely leads to them being caught out by market-makers. As one fund manager who uses the options market said: "Every now and again you have a problem when a trade is visible and it gets spotted. But normally there is no problem."

● The number of jobs under threat. Liffe and LTOM believe it may lead to an expansion in employment. On LTOM one person can make a market in up to five stocks options. But screen-based systems need at least one market-maker per stock and there are currently 72. However, if liquidity does not pick up, there could be a drastic reduction in the number of stocks that are eventually quoted. In any case, it seems certain that the floor brokers, who can deal on behalf of Stock Exchange members, are at risk. Unless they can turn their hands to selling options, the 75 or so brokers would not appear to have an optimistic future.

In spite of these reservations most options traders do not see any alternative to Liffe and LTOM's proposals and there seems little doubt that a screen-based system will emerge from the consultation of members that is under way.

More importantly, the changes underline the dominance of Liffe in what looks more like a takeover than a merger. But if this increases London's importance in the growing European derivatives markets, the Bank of England is unlikely to shed any tears for the open outcry market.

Spanish bank in share swap with Banco di Roma

HISPANO Americano, one of Spain's largest commercial banks, is hoping to complete a share swap with the big Italian bank, Banco di Roma, which could result in each bank holding about 5 per cent of the other by the end of this year, writes Peter Bruce in Madrid.

Mr Jose Maria de Amesategui, Hispano's president, said yesterday the operation could go ahead once the merger of Banco di Roma and Banco di Santo Espirito is finalised.

The two banks, along with Commerzbank and Crédit Lyonnaise, are members of Europartners, an informal banking consortium.

The share swap was first mooted a year ago, but has been complicated by efforts to restructure the Italian banking industry.

At the time, Commerzbank was also considering joining in an interchange of shares.

Commerzbank owns 10 per cent of Hispano which, in turn, bought 5 per cent of the German bank in 1989.

The two have just agreed to establish a new bank in Gibraltar.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Apr 24 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Apr 23 Index No.	Mon Apr 22 Index No.	Fri Apr 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	847.17	-0.8	11.29	5.71	10.87	11.55	854.08	854.08	862.53	828.50
2	Building Materials (24)	1074.34	-0.4	10.89	5.77	11.28	8.18	1078.47	1091.10	1105.97	1008.74
3	Contracting, Construction (31)	1346.10	-1.7	10.65	5.93	12.15	21.06	1369.89	1375.52	1384.40	1338.01
4	Electricals (10)	2339.41	-1.1	11.24	5.72	11.33	40.46	2364.94	2365.83	2406.41	2369.44
5	Electronics (26)	1806.69	-0.3	8.65	4.93	15.40	3.31	1812.24	1799.12	1822.94	1742.97
6	Engineering-Aerospace (8)	451.39	-0.8	15.48	5.55	7.77	8.86	455.19	451.52	456.28	446.55
7	Engineering-General (47)	455.22	-0.8	12.43	5.77	9.69	7.96	459.01	458.57	461.57	455.49
8	Metals and Metal Forming (8)	472.14	-1.2	19.32	7.31	6.39	0.59	478.04	483.48	487.94	463.83
9	Motors (13)	347.21	-0.7	12.33	6.88	9.57	9.45	349.82	349.09	352.93	338.64
10	Other Industrial Materials (20)	1510.53	-0.9	9.46	5.37	12.50	28.99	1524.16	1514.50	1524.45	1513.01
21	CONSUMER GROUP (185)	1449.17	-0.5	8.38	3.69	14.69	11.93	1456.44	1452.78	1468.74	1169.79
22	Brewers and Distillers (22)	1772.33	-0.3	9.07	3.66	13.58	14.86	1777.72	1775.35	1795.25	1380.48
25	Food Manufacturing (20)	1184.93	-0.9	9.51	4.11	12.99	15.95	1195.28	1195.10	1206.73	1018.27
26	Food Retailing (16)	2695.73	-0.8	8.16	2.90	16.02	14.42	2717.49	2712.50	2767.24	2202.62
27	Health and Household (21)	3235.55	+0.2	5.91	2.61	19.28	20.72	3228.90	3231.92	3266.34	2432.22
29	Hotels and Leisure (21)	1344.90	-0.9	10.19	5.15	11.58	16.64	1357.63	1346.15	1355.87	1290.67
30	Media (24)	1456.52	-1.7	9.60	4.72	13.07	17.84	1482.14	1481.01	1504.40	0.00
31	Packaging, Paper & Printing (16)	672.04	-0.2	8.25	4.91	15.15	11.00	673.15	670.02	679.01	548.59
34	Stores (34)	921.95	-0.6	9.05	3.92	14.31	2.37	927.92	917.76	921.31	709.99
35	Textiles (11)	528.69	+0.8	10.07	6.10	12.52	3.08	524.35	529.12	535.10	462.69
40	OTHER GROUPS (108)	1205.60	-0.3	9.98	5.01	12.26	9.64	1208.87	1202.78	1218.99	1083.36
41	Business Services (13)	1197.15	-0.6	11.22	4.99	10.91	8.36	1204.88	1191.85	1208.48	0.00
42	Chemicals (21)	1266.57	-0.6	9.21	5.65	12.45	23.86	1274.54	1272.17	1291.02	1160.40
43	Conglomerates (10)	1544.04	-0.6	10.86	6.66	11.01	12.84	1552.70	1532.30	1550.71	1534.67
44	Transport (14)	2168.17	-0.4	11.38	4.77	10.78	25.52	2176.61	2163.05	2181.80	2143.64
45	Electricity (14)	1175.78	-0.4	11.79	5.67	10.63	0.00	1180.43	1169.72	1183.55	0.00
46	Telephone Networks(4)	1440.64	+0.6	9.23	3.47	14.10	0.00	1432.52	1426.94	1449.83	1047.89
47	Water(10)	2406.66	-0.6	14.09	5.82	7.93	39.69	2420.85	2433.73	2463.92	1871.37
48	Miscellaneous (22)	1860.13	-0.8	6.48	5.02	19.60	21.39	1875.56	1872.84	1897.79	1723.90
49	INDUSTRIAL GROUP (480)	1227.41	-0.5	9.48	4.52	12.95	11.34	1233.44	1229.97	1244.19	1071.27
51	Oil & Gas (20)	2455.94	-0.9	10.25	5.43	12.71	40.03	2479.27	2449.95	2457.67	2182.00
59	500 SHARE INDEX (500)	1330.80	-0.5	9.58	4.64	12.92	13.58	1338.16	1332.78	1346.70	1163.90
61	FINANCIAL GROUP (97)	817.99	-0.8	-	5.77	-	17.25	824.37	819.06	828.49	754.09
62	Banks (9)	914.45	-0.9	8.11	6.01	17.82	21.93	922.53	918.18	925.71	771.97
65	Insurance (Life) (7)	1486.85	-1.8	-	5.57	-	41.64	1514.79	1490.40	1529.76	1281.59
66	Insurance (Composite) (6)	675.24	-1.1	-	6.50	-	20.23	682.47	676.83	688.62	644.64
67	Insurance (Brokers) (8)	1154.31	-1.4	6.91	5.82	18.82	20.10	1170.95	1173.47	1186.31	1042.71
68	Merchant Banks (7)	423.97	+0.6	-	4.78	-	4.47	421.40	427.25	427.90	426.60
69	Property (40)	1010.71	+0.3	6.36	4.66	21.63	4.21	1007.59	998.60	1005.82	1100.64
70	Other Financial (20)	291.94	....	9.43	6.19	13.05	4.41	292.08	290.91	291.38	301.81
71	Investment Trusts (69)	1202.98	-0.1	-	3.42	-	10.94	1204.65	1202.18	1212.33	1142.59
99	ALL-SHARE INDEX (666)	1205.74	-0.6	-	4.76	-	14.09	1212.65	1207.44	1220.16	1065.51

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17	Year ago
FT-SE 100 SHARE INDEX‡	2488.6	-15.2	2509.4	2483.5	2503.8	2490.8	2520.1	2538.4	2545.0	2143.1

FIXED INTEREST

	PRICE INDICES	Wed Apr 24	Day's change %	Tue Apr 23	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.69	+0.01	120.67	1.76	3.79
2	5-15 years (30)	130.52	+0.07	130.42	1.32	5.15
3	Over 15 years (8)	139.09	+0.16	138.86	2.01	4.05
4	Irredeemables (6)	155.25	+0.13	155.05	4.33	1.50
5	All stocks (72)	129.80	+0.06	129.72	1.58	4.62
	Index-Linked					
6	Up to 5 years (1)	158.09	....	158.08	-0.19	2.72
7	Over 5 years (10)	146.80	+0.01	146.79	0.59	1.52
8	All stocks (11)	147.67	+0.01	147.66	0.56	1.56
9	Debs & Loans (54)	110.29	+0.05	110.24	2.70	2.65

	AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 24	Tue Apr 23	Year ago (approx.)
	British Government				
1	Low	5 years	9.21	9.21	12.05
2	Coupons	15 years	9.64	9.65	11.79
3	(0%-7¾%)	20 years	9.76	9.77	11.72
4	Medium	5 years	10.30	10.31	13.32
5	Coupons	15 years	10.07	10.09	12.29
6	(8%-10¾%)	20 years	10.01	10.03	12.01
7	High	5 years	10.44	10.44	13.43
8	Coupons	15 years	10.25	10.27	12.59
9	(11%-)	20 years	10.19	10.20	12.31
10	Irredeemables	†	10.02	10.03	11.60
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.78	3.77	4.87
12	Inflation rate 5%	Over 5 yrs.	4.12	4.12	4.26
13	Inflation rate 10%	Up to 5 yrs.	2.89	2.89	3.84
14	Inflation rate 10%	Over 5 yrs.	3.92	3.92	4.07
15	Debs &	5 years	11.87	11.86	16.28
16	Loans	15 years	11.64	11.64	14.12
17		25 years	11.43	11.43	13.51

‡Opening index 2504.0; 9 am 2506.8; 10 am 2505.1; 11 am 2497.8; Noon 2491.7; 1 pm 2488.2; 2 pm 2488.4; 2.30 pm 2489.2; 3 pm 2488.7; 4.10 pm 2487.2; (a) 9.18am (b) 3.36pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	36	10	38
Corporations, Dominion and Foreign Bonds	5	1	14
Industrials	215	410	916
Financial and Properties	88	175	479
Oils	11	30	51
Plantations	0	1	9
Mines	40	25	97
Others	37	76	44
Totals	432	728	1,648

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings April 22
● Last Dealings May 3
● Last Declarations July 25
● For settlement August 5

For rate indications see end of London Share Service

Calls in Berisford Intl., Control Secs., Davy, North Sea Assets, Premier Cons., Rosehaugh, Saatchi & Saatchi, Tullow Oil and Tuskar Res. Puts in McCarthy & Stone and SmithKline Beecham. Put and call in Thorntons.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*526)	460	67	72	84	½	5	9
	500	27	41	55	1	16	22
	550	1	18	31	25	46	49
Utd. Biscuits (*377)	360	19	36	45	1	7	12
	390	1	17	26	14	20	24
Salisbury (*360)	360	2	18	29	1½	16	18
	390	1	7	16	32	34	37
Shell Trans. (*520)	500	21	43	57	¼	11	23
	550	¼	16	28	32	38	45
Storehouse (*116)	110	7	11	16	½	7	10
	120	1	6	11	6	13	15
Trafalgar (*240)	240	2	18	26	1½	21	27
	260	1	12	18	22	35	38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Apr	Calls Jul	Puts Apr	Puts Jul
STC (*320)	300	-	-	-	¼
	330	¼	-	¼	-

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Blue Circle (*245)	240	12	20	27	15	19	20
	260	5½	12	17	28	31	34
Abbey Nat. (*277)	260	24	31	38	3½	8	10
	280	12	18	26	11	16	18
Amstrad (*76)	70	9	13	15½	2¼	6½	8
	80	4	8	10½	8½	11	12
Barclays (*454)	420	48	57	65	6	15	19
	460	21	33	43	20	32	37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2487)								
CALLS Jul	202	163	128	97	72	51	35	23
CALLS Dec †	-	252	-	188	-	133	-	90
PUTS Apr	1½	3	7	24	66	115	165	-
PUTS May	11	19	33	52	83	122	166	217
PUTS Jun	18	28	44	66	95	129	171	216
PUTS Jul	29	40	56	77	105	138	176	218
PUTS Dec †	-	78	-	115	-	165	-	235

April 24 Total Contracts 24,255
Calls 15,172 Puts 9,083
FT-SE Index Calls 1,912 Puts 2,268
Euro FT-SE Calls 377 Puts 146
*Underlying security price. † Long dated expiry months. Premiums shown are based on offer prices.

UK COMPANY NEWS

Interest helps push Lilley down 26%

By Richard Gourlay

LILLEY, the Scotland-based construction and contracting group, yesterday reported a 26 per cent fall in pre-tax profits in 1990 after a sharp increase in interest costs following its failure to take over fellow construction and property group Tilbury last summer.

Taxable profits fell to £14.14m from £19.06m on sales up almost 10 per cent at £323.04m. Earnings per share fell to 7.99p (9.55p) but the directors are recommending a maintained final dividend of 1.5p, for an unchanged total of 2.5p.

The failed takeover left Lilley with a 29.9 per cent stake in Tilbury and cost it £5.31m (£1.58m) in interest before the stake was sold in November. The £8.41m loss on the sale appeared as an extraordinary item.

Interest on ongoing activities also rose to £3.13m (£246,000), largely because of the increased carrying cost of completed development properties.

Debt fell to £31m (£48m) and gearing fell slightly from 114 to 98 per cent, excluding £17m of guaranteed debt relating to associated company investments.

Sir Lewis Robertson, chairman, said the result was "not unsatisfactory", given the tough market conditions. The decline had resulted from the property and housebuilding activities but sales and profits in the construction-related operations had improved. The group had opened offices in the Midlands and south of England and was well positioned to take advantage of a turnround in the economy.

Currently Lilley has a land bank sufficient for four years. Mr Bob Rankin, chief executive, said the company planned to cut this to two and a half years, releasing about £10m of cash for debt repayment.

He also said that Lilley was well positioned on the contracting side because it concentrated on small-sized "bread and butter contracting" valued at less than £1m.

Ashley Ashwood

Sir Lewis: construction-related operations had improved

● COMMENT

Judging by the share price, the market views Lilley as something of a bad penny. But like all coins it has two sides. Operationally, the contracting side has consistently outperformed the sector in terms of margin. Small acquisitions since last year when it failed to buy Tilbury have also positioned it well geographically to take advantage of any upturn in the economy. The problems lie in the balance sheet. Gearing down marginally at 98 per cent obscures at least £17m of off-balance sheet obligations relating to its share of properties in associate companies. Not only do the two largest properties remain unlet but interest that was capitalised before their completion will now directly have an impact on revenue from associated companies. Proposed asset sales will help, as will a reduction in the land bank. Nevertheless brokers are forecasting £13m pre-tax profits for this year, giving 6.3p of earnings and a prospective multiple of about 8.

Ibex talks could lead to offer below market value

By Clare Pearson

IBEX, the USM-quoted recruitment and employment agency, said yesterday that it was in talks that might or might not lead to an offer being made at a price materially lower than the current market value.

The announcement sent the shares plummetting 7p to 11p.

At 18p, they were standing at their lowest point since the company joined the USM in April 1989, representing a steep decline in the company's market value since it floated at 175p per share.

Ibex's market capitalisation at yesterday's closing level was £1.5m.

Ibex and Hoare Govett, its financial adviser, said they could provide no further information on the situation.

Last September, the company reported that it had just broken even in the six months to end-June, producing pre-tax profits of £7,000 against £1m in the corresponding period. That was after finance charges of £477,000 (£169,000).

Earnings per share were nil (5.7p).

Mr Hugh Laughland, chairman, then blamed the deterioration on a "substantial reduction" in demand for the group's services. Turnover was up at £17.77m (£15.23m) owing to an increased number of branches.

He also said the company had agreed to sell P&M, its advertising business, for a nominal sum.

The other main businesses are Austin Benn, a recruitment consultancy for sales and marketing staff and ABC Contract Services, which supplies temporary staff for the construction, warehousing and distribution industries.

Disposal helps limit fall at British Dredging

By Peter Pearse

IN 1990 – a period when the UK building trade hit a severe recession – British Dredging managed to limit its profits fall to just under 14 per cent, from £4m to £3.45m.

The final dividend is raised to a proposed 4.8p, to lift the total from 7p to 7.4p.

This marine dredging company is also involved in the supply of sand and gravel, the manufacture of paving blocks, other concrete products and tiles, builders' merchanting and ship repairing.

Mr Fane Vernon, chairman, said that the structure of the group was changed significantly during the year by the sale in April of a 50 per cent stake in British Dredging Aggregates to RMC Group for £4.39m and by July's acquisition of Selco Trade Centres, the building materials supplier, for an initial £3.5m.

Mr Vernon noted that the £443,000 contribution from Selco partly offset reduced trading profits from established operations, where concrete products fell to £792,000 (£1.23m) and marine aggregates to £331,000 (£1.79m).

Group operating profits were down by £1.42m at £1.9m, though the share of profit of associated undertakings rose to £308,000 (£13,000) and net interest received almost doubled to £1.25m (£674,000).

Earnings slipped to 13.06p (14.53p) per share. There was an extraordinary gain of £2.58m (£322,000) relating mainly to proceeds from the disposal to RMC.

The company was proud of its "very strong" position, with net short-term cash deposits, loan notes and investments at the year-end totalling £7.2m (£6.9m).

Amstrad cuts Micron stake to raise £19m

By Michael Skapinker

AMSTRAD, the UK electronics group, has sold part of its stake in Micron Technology, reducing its holding in the US semiconductor manufacturer from 9 to 3.7 per cent.

Amstrad said that the sale raised £19.1m. Amstrad bought its stake in 1988 for £45m. Last year the UK company recorded an extraordinary charge of £17.4m to account for the fall in value of its Micron shares.

Mr Alan Sugar, Amstrad chairman, said two years ago that the investment had been "a lousy deal". He said last month that he intended eventually to dispose of the entire Micron stake. Mr Sugar said the reason for the sale was: "Cash, me old mate. Dosh." The company needed to maximise its liquidity, he said.

Amstrad's taxable profits for the first half of 1990-91 rose 33 per cent to £40.1m. But Mr Sugar has warned that the company will do well to make a profit in the second half.

Amstrad bought the Micron stake to ensure a reliable supply of dynamic random access memory (D-Ram) chips, used in the manufacture of its computers. Mr Sugar has since concluded agreements with several semiconductor companies and believes Amstrad will have no difficulty buying the chips it needs.

Amstrad said the sale was made because of the recent strength of the Micron share price and not because of a lack of confidence in the company.

Trading decline sees Dencora fall to £2m

With the management preferring to retain commercial properties rather than sell them at the depressed prices of 1990, Dencora, the East Anglian property group, saw profits fall from £7.06m to £2.21m pre-tax in the 12 months to end-December.

Net asset value was down 17 per cent at 280p (336p). Turnover dropped to £34.34m (£41.22m), with a contraction in trading to £27.31m (£36.1m) and an expansion in rental income to £7.04m (£5.13m). Net interest payable was £405,000 higher at £5.35m.

Fully diluted earnings tumbled to 7.7p (21.6p) but the single dividend is maintained at 5.5p. Bank borrowings at the year-end were up at £71m (£59m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

FUTURE DATES

ADT reveals $96m provisions against sold Sechura businesses

By Peter Martin

ADT, the Bermuda-based car auction and security group, has made provisions of $95.7m (£56m), against businesses recently sold by Sechura, a Canadian former associated company in which Mr Michael Ashcroft, ADT's chairman and chief executive, has revealed an interest.

In a footnote to its annual report, filed with the Stock Exchange yesterday, ADT revealed that last year Sechura disposed of a string of loss-making businesses, and reorganised its capital structure. As a result of that restructuring, ADT's former 47.8 per cent interest was eliminated.

Consequent on Sechura's restructuring, said the annual report, and "given the uncertainty with respect to the future value" of the businesses Sechura has disposed of, ADT recorded "provisions totalling $95.7m against the carrying value of amounts owed by and investments made in these operating businesses".

The ADT report added: "While the company may recover a portion of this sum, the amount and timing is uncertain."

The businesses Sechura disposed of had been sold to it by ADT in 1987.

Documents issued in December 1990 as part of Sechura's restructuring said that Mr Michael Ashcroft and his wife, Susan, between them owned 29.1 per cent of voting shares in Sechura.

Earlier this month Laidlaw, a Canadian waste management group which owns 28.4 per cent of ADT, sued the Bermuda-based group in a New York court, alleging that transactions between ADT and Sechura had led to an "illusory profits stream" for ADT. The allegations were rejected by ADT, which threatened a counter-suit for defamation.

Laidlaw withdrew its suit last week following an agreement that gives it four seats on the ADT board and ensures that outsiders outnumber executive directors there.

Laidlaw insisted, however, that it had only withdrawn, not dropped, its case against ADT and said that investigations into its allegations would continue through an audit committee set up by the new independent directors.

The ADT annual report makes no mention of Mr and Mrs Ashcroft's stake in Sechura, and says: "There were no contracts of significance during or at the end of the year in which a director of the company is, or was, materially interested."

ADT shares closed 3p lower yesterday, at 86p.

See Lex

Poor second half as CI dips 38%

By Jane Fuller

CI GROUP, the formerly acquisitive steel and engineering concern, saw pre-tax profit fall 38 per cent to £4.83m in the year to January 31.

The decline, from £7.77m, came in spite of a 9.5 per cent turnover increase to £93.75m (£85.61m). CI said this was accounted for by acquisitions early last year.

Mr Albert Hargreaves, chairman, said the pain of UK recession had been felt since October. Only £1m was added to interim pre-tax profits of £3.8m.

In the steel division, turnover expanded 8 per cent to £49m, but pre-tax profit fell 34 per cent to £3.2m. Worst hit had been sales of reinforcing material to the construction industry.

Engineering turnover rose 11 per cent to £44.7m, but profit fell to £1.62m. The capital goods business slipped into loss as sales plummeted by a third.

Early this year, Mr Cedric Grew, a driving force behind the acquisitions policy, resigned as chief executive.

He was replaced by Mr Rob Yates, the former head of the steel division.

Mr Hargreaves said the resultant review of activities had focused on the problem areas of reinforcing, capital goods and part of the foundry business. Two factories had been closed and further rationalisation was going on. An extraordinary charge of £1.46m (£696,000) was made.

Some unspecified costs were also incurred above the line, as the workforce was cut by 7 per cent to 1,500 and Mr Grew was paid off.

Mr Hargreaves said the group had grown quickly and encompassed 20 companies. "But probably 80 per cent of the turnover is generated by 20 per cent of them."

It would concentrate on areas where it had a significant market share or a concentration of management skills. A prime example was industrial flooring, where Redman Fisher Engineering had won a Queen's Award for export.

Operating profit fell to £6.64m (£9.31m) and interest charges rose to £1.81m (£1.55m). Year-end gearing was reduced to 40 per cent (44 per cent) of shareholders' funds of £16m (£17m). Capital spending was cut from £3m to £2.5m.

Earnings per share slid to 3.77p (5.93p). A slightly reduced final dividend of 1.225p leaves the total unchanged at 2.05p.

● COMMENT

Several nettles have been grasped at CI, as the changed leadership has given belated priority to managing recession rather than growth by acquisition. Cash has started to move in the right direction and orders have picked up since a dismal February. With 79 per cent of sales in the UK, the group has obvious vulnerability and many uncertainties remain, not least over how much more the reorganisation will cost. A second-half improvement might rescue profit to another £4.8m, a prospective p/e of 7.8 on yesterday's close of 29½p. Its 25 per cent discount to the engineering sector reflects uncertainty over both trading prospects and the results of the reorganisation. Until the picture is clearer, the share price is unlikely to make much headway.

Fall in US visitors hits Partridge

Shares of Partridge Fine Arts yesterday fell by 6p to 73p after the antique furniture dealer warned shareholders that trading in the current year had been badly affected by the fall in the number of visitors, particularly from the US.

Mr John Partridge, chairman, told the annual meeting that the decline in trading would hit first half profits. The position would not improve until more people came to the UK.

Turnover rose 2.9 per cent to £13.2m for the year to end-October, although pre-tax profits advanced 28 per cent to £4.1m as a result of increased cash resources.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ashley (Laura)	fin	0.1	June 10	nil	0.1	0.85
Austin Reed	fin	6.5	July 1	6.5	9.5	9.5
British Dredging	fin	4.8	May 31	4.4	7.4	7
CI	fin	1.225	July 1	1.25	2.05	2.05
Dencora	fin	5.5	July 1	5.5	5.5	5.5
First Charlotte	fin	0.2	June 20	0.2	0.2	0.2
Hopkinsons	fin	2.5	Aug 1	2.5	3.7	3.5
Jessups	int	1.5	July 1	2.25	-	7
Keystone Inv	int	4	June 11	4	-	13
Lilley	fin	1.5†	July 1	1.5	2.5	2.5
Shani §	int	1.6	July 10	1.6	-	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

IN BRIEF

PEEK has acquired 80 per cent of Philips Verkeers-en Vervoerssystemen, a subsidiary of Philips of the Netherlands, for an initial Fl 13.1m (£3.9m). Consideration will be satisfied via the issue of 6m ordinary shares, with any balance in cash. Peek has an option to acquire the remaining 20 per cent within three years.

ROYAL BANK of Scotland is to transfer the business of its Chicago, Houston and Los Angeles representative offices to its two main offices in New York and San Francisco.

SAATCHI & SAATCHI: acceptances under the rights issue, including subscriptions and commitments by certain US shareholders in a private US placement, have been received in respect of 494.43m new ordinary, or 89.5 per cent. Directors and others have subscribed and committed £5m in respect of the management investment.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unem-ployed	Vacs.
1989							
3rd qtr.	110.6	119.3	34.1	119.6	132.2	1,725	219.6
4th qtr.	110.2	118.6	33.4	120.6	162.9	1,662	205.3
1990							
1st qtr.	110.6	119.7	34.2	120.6	132.7	1,612	199.8
2nd qtr.	111.9	120.6	35.9	121.5	140.6	1,612	183.6
3rd qtr.	109.5	118.5	34.9	120.3	141.8	1,653	166.5
4th qtr	106.7	115.1	32.6	119.1	170.3	1,770	134.6
January	109.6	119.0	34.6	120.4	131.6	1,616	200.7
February	109.4	119.0	35.0	121.7	132.6	1,614	199.9
March	111.1	121.6	34.2	120.5	132.6	1,607	198.2
April	111.7	120.9	35.5	121.4	141.3	1,607	199.9
May	110.8	120.7	35.4	122.1	142.1	1,611	193.3
June	113.2	120.1	35.9	120.5	138.6	1,619	185.4
July	109.0	119.6	35.9	121.4	144.0	1,632	172.4
August	109.0	118.3	35.2	119.4	140.5	1,655	167.9
September	107.8	117.4	34.9	120.2	140.8	1,670	159.2
October	108.0	116.1	34.5	119.6	145.4	1,705	142.6
November	106.4	114.6	33.7	118.4	167.5	1,763	132.4
December	105.7	114.8	32.8	119.7	201.8	1,842	128.7
1991							
January	105.0	113.9	33.0	118.6	130.4	1,892	143.8
February	106.7	112.1		118.5	128.9	1,960	145.9
March				122.9	144.1	2,063	143.5

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1989							
3rd qtr.	114.6	121.9	104.8	121.2	123.3	97.2	15.0
4th qtr	114.5	120.3	104.9	120.1	122.6	97.9	12.5
1990							
1st qtr.	115.2	122.4	103.5	121.5	120.0	99.0	14.3
2nd qtr.	115.7	124.5	105.9	122.7	125.5	97.2	14.1
3rd qtr.	114.5	120.1	101.5	119.1	124.4	95.1	13.0
4th qtr	113.3	115.7	100.7	115.7	115.5	92.2	11.4
January	115.8	121.8	103.1	121.0	117.0	99.0	14.2
February	114.3	122.7	102.6	120.0	117.0	99.0	12.8
March	116.4	123.3	104.6	123.0	126.0	99.0	16.0
April	116.6	124.7	106.2	123.0	123.0	97.0	13.6
May	115.3	125.6	103.7	123.0	124.0	97.0	14.7
June	115.2	122.5	108.5	122.0	129.0	97.0	13.7
July	114.7	122.7	101.6	121.0	127.0	96.0	13.0
August	114.4	120.9	101.0	118.0	119.0	96.0	13.3
September	114.5	117.2	101.6	117.0	127.0	94.0	12.6
October	115.2	116.8	102.3	117.0	113.0	93.0	13.2
November	112.5	114.1	101.2	114.0	119.0	92.0	11.9
December	112.2	117.2	99.9	116.0	114.0	91.8	9.1
1991							
January	111.7	115.6	98.5	115.0	113.0	89.0	12.3
February	110.2	113.6	102.5	112.8	112.0	89.0	10.0

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1989							
3rd qtr.	118.8	143.2	-6,424	-6,097	+374	97.4	43.24
4th qtr.	123.6	139.7	-4,754	-4,454	+510	97.0	39.03
1990							
1st qtr.	124.8	146.5	-6,905	-4,765	+383	97.5	38.76
2nd qtr.	126.6	148.4	-5,284	-4,723	+434	97.8	38.99
3rd qtr.	123.7	142.6	-3,748	-2,443	+445	101.5	39.07
4th qtr.	125.8	138.3	-2,974	-841	+314	101.5	38.59
January	125.5	149.4	-2,103	-1,730	+133	97.8	38.45
February	124.2	139.9	-1,530	-1,156	+108	97.9	38.54
March	124.8	150.2	-2,272	-1,889	+142	96.8	39.29
April	125.8	149.4	-2,113	-1,928	+174	97.6	39.03
May	128.6	145.6	-1,510	-1,323	+108	97.5	38.93
June	125.5	144.1	-1,661	-1,474	+152	97.3	39.01
July	118.8	145.2	-1,799	-1,364	-5	98.6	36.84
August	124.2	141.6	-1,257	-822	+176	102.1	39.30
September	128.1	139.1	-692	-257	+274	103.7	39.86
October	128.4	142.7	-1,115	-404	+77	102.1	38.57
November	128.8	140.3	-1,004	-293	+118	102.5	38.47
December	124.3	133.6	-856	-144	+119	99.9	38.46
1991							
January	120.3	141.5	-1,289	-789	-118	100.5	38.37
February	125.7	132.7	-727	-227	+151	99.6	41.79
March	126.0	140.5	-932	-432	+168	99.9	42.33

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change);bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmer. credit† £m	Base rate %
1989							
3rd qtr.	5.3	10.2	17.1	+24,631	2,285	+729	14.00
4th qtr.	6.6	10.2	17.8	+22,822	1,067	+385	15.00
1990							
1st qtr.	6.0	8.8	18.3	+21,293	1,115	+911	15.00
2nd qtr.	7.8	8.4	17.8	+17,494	2,285	+721	15.00
3rd qtr.	6.0	7.9	16.1	+14,536	1,942	+686	15.00
4th qtr.	3.3	7.5	13.6	+16,675	1,210	+712	14.00
January	6.7	9.5	18.5	+ 6,744	369	+492	15.00
February	6.4	8.4	18.3	+ 8,486	363	+278	15.00
March	5.9	8.6	18.0	+ 7,061	383	+141	15.00
April	7.6	8.7	18.1	+ 4,967	783	+159	15.00
May	7.0	8.0	17.8	+ 6,596	703	+322	15.00
June	6.3	8.4	17.4	+ 5,847	809	+240	15.00
July	5.5	8.6	17.1	+ 3,083	583	+159	15.00
August	4.8	7.8	16.2	+ 5,300	525	+198	15.00
September	4.7	7.4	15.0	+ 4,175	856	+331	15.00
October	4.9	7.4	14.3	+ 6,734	982	+342	14.00
November	3.1	7.2	14.4	+ 7,446	-368	+229	14.00
December	2.7	7.8	12.2	+ 2,495	826	+141	14.00
1991							
January	3.5	9.9	11.2	+ 3,223	934	+ 66	14.00
February	2.6	9.9	10.9	+ 6,906	606	+ 96	13.00
March							12.50

INFLATION-Indices of earnings (1988=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1989							
3rd qtr.	109.6	103.1	118.7	116.0	110.7	1,912	91.7
4th qtr.	112.8	106.8	121.2	118.3	113.5	1,842	88.1
1990							
1st qtr.	116.0	105.7	123.1	120.4	116.8	1,836	88.1
2nd qtr.	118.6	103.5	125.7	126.0	119.6	1,904	88.6
3rd qtr.	120.7	102.4	126.8	128.1	119.7	1,803	94.2
4th qtr.	123.5	103.7	128.3	130.1	121.3	1,721	94.1
January	115.1	107.4	122.5	119.5	116.0	1,890	87.9
February	115.6	104.6	123.0	120.2	117.0	1,798	88.6
March	117.2	105.1	123.8	121.4	117.7	1,808	87.8
April	117.4	104.7	125.1	125.1	118.8	1,929	87.1
May	118.7	103.6	125.8	126.2	120.1	1,922	88.6
June	118.5	102.1	126.1	126.7	120.0	1,860	90.4
July	119.9	101.1	126.4	126.8	118.8	1,836	93.5
August	120.7	101.9	126.9	128.1	120.0	1,782	95.3
September	121.5	104.1	127.2	129.3	120.3	1,801	93.8
October	122.3	103.4	127.9	130.3	120.4	1,737	94.3
November	123.3	103.6	128.4	130.6	121.3	1,709	94.2
December	125.0	104.7	128.7	129.9	122.1	1,716	93.9
1991							
January	125.7	104.4	130.2	130.2	122.9	1,683	94.1
February	126.3	102.3	130.7	130.9	124.4	1,660	94.3
March		102.5	131.6	131.4	124.4		

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Hardy Oil & Gas calls for £27.6m

By Roland Rudd

HARDY OIL & Gas, the exploration company demerged from Trafalgar House, yesterday launched a 1-for-4 rights issue of 17.8m shares to raise about £27.6m.

Shareholders will be offered new shares at 160p apiece to enable the group to invest in further exploration.

The cash call was accompanied with an up-beat profit forecast for the year to March 31.

Group profit after tax is expected to almost double to £10.1m (£5.1m), after taking into account estimated Petroleum Revenue Tax credits of £4m.

However, the recent fall in oil prices forced the group to warn that the current year's trading profits might be "adversely affected", despite hedging two thirds of its oil production. Analysts believe profits could fall by up to £7m.

Hardy's share price – after an initial fall of 10p – recovered to end the day 5p down at 192p.

Earlier this month the company announced its most significant gas find in the North Sea, 150 miles east of Aberdeen, since joining the stock market two years ago.

It has also announced discoveries of potential significance in the US, Canada and the Netherlands, while building up a portfolio of exploration acreage, with stakes in noted oil-bearing regions such as the Gulf of Mexico and Western Australia.

Mr Peter Elwes, chief executive, said he wanted to build on the recent discoveries. The rights issue was an exercise "in cash flow management." It would help fund the exploration which would generate the group's income.

He also hoped it would help reduce borrowing, although he added that since the group's debt was all project-related he was not under any pressure to tap the equity market for cash.

Hardy's share of the development of the Ravenspurn North gas field and the acquisition of an interest in the producing Harriet oil field in Australia have been financed largely by bank loans. By the end of last month some £35.4m had been borrowed.

Mr Elwes hoped the contribution to profits from the sale of gas – particularly from Ravenspurn, which is priced in sterling and not subject to short-term price fluctuations – would do much to offset the instability of the oil price.

To finance acquisitions and drilling in North America the company has arranged an $80m (£46.8m) credit facility. At the end of March it had borrowed $53.2m of this amount.

Ashtead seeks £5.8m and sees profit fall

By Michiyo Nakamoto

THE ONRUSH of equity financing in the construction industry continued yesterday when Ashtead, the acquisitive plant hire group, announced it was raising approximately £5.8m net of expenses in a 1-for-4 rights issue.

The issue of 4.49m new ordinary shares at 135p represents a 15.6 per cent discount to Tuesday's market price. Yesterday the shares slipped 2p to 158p on the news. The new shares will rank for the final dividend for the year to April 30.

The move is aimed at strengthening the group's financial position to enable it to take advantage of the opportunities for expansion in the wake of the recession, directors said.

"Our competitors clearly have had a horrid time, and we expect more to go into receivership as conditions improve," said Mr Peter Lewis, chairman.

Historically bankers have tended to let their troubled customers go when it looks like they are going to be able to sell their assets, he explained.

Additionally, Ashtead considers that its 5 per cent share of the highly-fragmented UK plant hire industry leaves it with significant scope for further expansion.

The group's strategy through the current UK recession has been to maintain its business infrastructure of 49 profit centres and increase its market share even at the expense of short-term profitability.

The rights issue was announced as Ashtead forecast a near-halving of pre-tax profits for the year to April 30.

In the absence of unforeseen circumstances profits will be not less than £4m and earnings per share not less than 14.3p, the company said.

This represents a 49 per cent fall in profits from last year's £7.82m and a 50 per cent drop in earnings per share from a previous 28.44p.

Trading conditions deteriorated in the second half, following a disappointing first half which saw profits fall 31 per cent to £2.5m (£3.6m).

Operating margins, although still among the highest in the industry, slipped from 20 per cent to 18 per cent in the second half, resulting in a forecast of 19 per cent for the whole year.

Pending acquisitions, the proceeds of the rights issue will be used to reduce borrowings which have risen to about £14m. Gearing, which stood at over 83 per cent at the year-end will come down to about 40 per cent, directors said.

"I think we have taken our medicine in the form of this year's results, and now we stand a better chance to benefit from any upturn in the industry," Mr Lewis said.

On the basis of its profits forecast, the group expects to recommend a final dividend of not less than 3.025p making a total of 4.125p (3.75p).

Devenish hits back at criticism on strategy

By Roland Rudd

DEVENISH, the West Country brewer fighting off a hostile bid from Boddington, yesterday gave its first detailed response to the attack on its strategy by the pubs, hotels and health-care group.

Directors met with advisers to begin drawing up "a line by line rebuttal" to be sent to shareholders by May 6, 14 days after Boddington issued its formal offer document.

Mr Michael Cannon, chairman of Devenish, responding to allegations that his company had committed a U-turn in buying and then selling wholesalers, accused Boddington of the "biggest ever U-turn" in brewing history.

Mr Cannon said: "Ours was a blip of a U-turn compared with their massive blunder. The sale of our wholesalers was just a short, sharp reversal of strategy which generated a healthy profit. The same can not be said for Boddington's decision to buy and then sell its breweries."

Boddington bought the Oldham Brewery in 1982, followed by the acquisition of Higsons Brewery three years later. The group's brewing business was then sold by November 1989.

The group said it recognised that "the longer term prospects for profitable growth linked to brewing and brand ownership were unexciting".

In response to Boddington's accusation that Devenish had failed to achieve its ambition of increasing its estate from 400 to 1,000 houses, Mr Cannon said he still intended to buy more pubs "but only when the price is right".

The West Country brewer is already buying individual pubs but admitted that it has put its plans to bid for a for a larger group of pubs on hold until the big brewers drop their prices.

Mr Cannon also denied Boddington's charge that Devenish had wasted millions of pounds of shareholders' money on advertising the Newquay Steam brand. He said the promotional expenditure had been worthwhile and had helped push up sales to about 100,000 barrels a year.

He added: "The board's investment in Newquay Steam achieved its purpose. How does Boddington expect to launch a new product without advertising?"

NEWS DIGEST

Warning hits Jessups share price

SHARES OF Jessups tumbled by 9p to 46p yesterday after the Essex-based vehicle distributor unveiled a first-half loss, a reduced interim dividend and a warning on prospects for the second half.

According to Mr Alan Jessup, chairman, losses of £189,000 (profits £975,000) for the half-year to end-February were attributable mainly to a downturn in new vehicle sales to both the retail buyer and the corporate sector. Profits at the operating level slumped from £2.81m to £1.31m.

Turnover was relatively resilient at £44.98m (£48m) although the effective decline in sales was masked by "compensations from after-sales activities".

Losses per share worked through at 3.94p (earnings of 5p). The interim dividend is cut to 1.5p (2.25p).

Shani rides high-street recession

In spite of the recent gloom in the high street, Shani Group, the USM-quoted company which manufactures and supplies womens' and children's wear, yesterday reported a marginal increase in interim profits.

The outcome for the six months to end-January – £764,000 against £755,000 – came on turnover down some 9 per cent to £5.92m (£6.52m).

Mr Martin Hollis, chairman, said the performance reflected improved manufacturing and operational efficiency.

The interim dividend is maintained at 1.6p, payable from earnings of 3.5p (3.3p) per share.

Aran Energy raises stake in Alba field

A much reduced tax credit left net profits at Aran Energy, the Dublin-based oil and gas exploration group, sharply lower in 1990.

After a tax credit of I£54,000 (I£1m), profit came to I£390,000, or about £352,000 sterling, against I£646,000 previously. Earnings per share fell to 0.19p (0.4p).

Aran also announced yesterday that it has raised its interest in the Alba oil field from 3 per cent to 5 per cent through an assets swap with Conoco, plus payment by the latter of $4m (£2.34m).

During 1990 a rights issue to raise some I£37.4m was made to fund exploration activities.

Kleinwort p&l will cover £12m loan loss

Kleinwort Benson said yesterday that losses on its loans to Ojai Capital had been fully provided for in its 1990 accounts, writes David Lascelles.

The losses amounting to £12m were disclosed in the group's annual report which was released on Monday. The provisions were included in the £67m which Kleinwort set aside last year.

Ojai Capital was formed by Mr Kenneth McCormick, a former Kleinwort director, to invest in Californian real estate and business start-up ventures. Kleinwort decided last year that the venture was no longer financially viable.

Net assets fall at Ldn Amer Ventures

London American Ventures Trust reported net asset value down to 57.31p per share at March 31 1991, against 66.41p a year earlier.

Pre-tax profits for the year were £36,000, against losses of £122,000 last time. Tax took £12,000 (£166,000 credit) and after minorities, the deficit per share came to 0.04p (0.07p earnings).

Oliver Resources losses reduced

A significant reduction in the exceptional write-off of deferred exploration costs enabled Oliver Resources, the Dublin-based oil and gas exploration company, to cut pre-tax losses from I£1.93m to I£780,338, or £509,000 sterling, in the year to October 31 1990.

Operating losses of this USM-quoted company came to I£345,561 (I£426,442), before exceptional charges of I£393,836 (I£1.43m) and interest received of I£264,413 (I£117,267). Losses per share were 1.2p (4.35p).

Hopkinsons static after restructuring

Hopkinsons Group, the valves manufacturer, reported static profits for 1990 – a year which saw its restructuring virtually completed.

Sales fell 21 per cent from £60.34m to £47.82m, including £42.37m (£38.86m) from continuing operations. This turned into operating profits of £4.7m (£5.7m), including £4.19m (£4.42m) from continuing operations. After interest and other income amounting to £2.02m (£1.02m) the taxable result was unchanged at £6.72m.

An unchanged final dividend of 2.5p is recommended, making a total for the year of 3.7p (3.5p) on reduced earnings per share of 8.01p (8.5p).

Net assets dip 20% at First Charlotte

First Charlotte Assets Trust blamed the recession in the UK and consequent "adverse environment" for small companies for a near-20 per cent decline in net asset value over its last financial year.

Nav per 5p share at March 31 was 9.77p, down from 12.18p.

Net revenue totalled £147,00 (£165,000) for earnings of 0.2p (0.22p) per share. The single distribution for the year is maintained at 0.2p.

Ensign Trust completes Argosy sale

By Michiyo Nakamoto

Ensign Trust has completed the disposal of Argosy Asset Management, its wholly-owned investment management subsidiary which is being wound down after losing the management in March of the main Merchant Navy Officers Pension Fund valued at £1.5bn.

Ensign, 78 per cent owned by the MNOPF, is selling Argosy's remaining interests to Aberdeen Trust for £900,000 cash.

Earlier this month it announced the sale of the bulk of Argosy's investment management interests to Ivory and Sime for £1.75m. Ensign also owns 39 per cent of Aberdeen's ordinary share capital.

The interests to be sold include those in Argosy's fund management subsidiaries in Australia, Luxembourg, Scotland and Finland.

BUSINESS LAW

A case of good timing over VAT

By Dominic Taylor

THERE ARE few opportunities more welcome than that of using someone else's money, free of charge. When that opportunity is offered by the government to exporters of goods in the form of a cash refund of tax not yet paid, it would be madness not to take advantage of it.

This has certainly been the view of a number of manufacturing exporters in relation to value added tax and, until Customs and Excise attacked the Philips Electrical group of companies, at the end of 1989 the arrangement apparently worked well. How that arrangement operated demonstrates a principle of VAT which is of interest and potential benefit not just to exporters but to all those who pay it.

The events which followed the attack on Philips reveal a good deal of confusion in VAT administration policy.

The scheme, if it can be called that, used the simple mechanics of VAT to achieve a substantial cash flow benefit. It works as follows.

A business which sells goods only to UK customers taxes those sales at the standard rate of 17.5 per cent. It will pay over to Customs the tax which it charges and collects (output tax) having first deducted from that payment the amount of VAT paid to its own suppliers on purchases and other expenditure (input tax). A business which sells goods for export does not charge VAT on those sales (they are zero-rated) but can claim back its input tax from Customs, ie, it receives repayments of VAT. The difference between the two types of businesses is that an export business can claim its VAT repayments monthly, whereas most businesses which have to charge their customers VAT make returns and account for VAT quarterly.

A company which makes both standard-rated sales in the UK and zero-rated export sales would normally make three-monthly VAT returns. Such a company can improve substantially its cash flow by selling the exports through a subsidiary, registered separately for VAT. The export company then makes monthly returns, claiming repayments of the tax charged to it on sales by the parent, up to 10 weeks before that same tax has to be paid by the parent to Customs and Excise.

The advantage to be gained by doing this was recognised by a number of companies as long ago as the early 1970s when VAT was first introduced in the UK. They have operated the system successfully since then, and with at least tacit approval from Customs and Excise evidenced by their discretionary agreement to the use of monthly returns.

However, for reasons that have never been made clear, Customs took exception to the scheme operated by Philips. Philips' appeal went first to the VAT Tribunal where Philips lost; then to the High Court in May last year where Customs conceded defeat having agreed the tribunal's decision was wrong.

At the same time, Customs asked the judge, Mr Justice Roch, to give his view on the critical point of the tribunal decision – whether or not Philips had made a "supply" to the export company.

Originally, Customs had informed Philips that there was in its view no supply of the goods to the export company and the supply for export was in fact made direct from the manufacturer. Thus there was no tax to be charged between the companies and no claim to input tax to be made by the export company.

The tribunal supported Customs, saying that if the export company did take ownership of the goods at all, it was for so fleeting a moment as to be compared with an inter-city express train passing through a station. There could therefore be no supply made under those conditions.

In the High Court the matter was settled by consent, leaving Philips to continue with the scheme subject to agreed conditions. In the judge's opinion there was no requirement in the VAT legislation as to the length of time for which a transferee should have ownership of the goods to establish that a supply had been made to him.

He went on to make the incisive comment that any other interpretation would create considerable difficulties in the levying and recovery of VAT, particularly in chains of transactions where title might pass instantaneously through a number of persons.

There is much to be read between the lines in this case. It is clear from their conduct of the case that, having argued the point successfully at the VAT Tribunal, Customs suddenly realised that the decision would cause enormous administrative difficulties. This shows an unexpected lack of foresight in a department responsible for an important part of government policy.

In any event, there was a clean and simple alternative for Customs. Monthly returns are allowed at the discretion of the commissioners and, if they wished to make Philips an exception to the generally permissive treatment accorded to exporters, the commissioners could have directed Philips Exports Ltd to make quarterly returns.

This would have largely erased the cash flow benefit of the scheme to the company. To reverse that direction, Philips would have had to show that the commissioners were behaving unreasonably in denying them the monthly facility.

What then prompted Customs to take the action they did? To understand their position, it must be appreciated that the VAT timing point used in the export scheme is a general feature of the UK VAT system and can provide a benefit even without intentional arrangement.

As the quarterly tax periods allocated to businesses for VAT accounting are not all coincidental (Customs could not cope with 1.4m returns at one time) there are three different quarterly return groups, the maximum variation in period ends being two months.

In large commercial transactions, particularly property transfers, this can be important because the VAT charge on a sale can be a cash flow cost or a benefit, depending upon whether the vendor must account to Customs for the output tax before or after the purchaser obtains the benefit of his claim to the input tax.

There have been wholly contrived cases, which have demonstrated the timing point only too well and have rightly been stopped. There was, for instance, the enterprising individual who registered two businesses with conveniently overlapping VAT periods. He then "sold" an article of jewellery at a grossly inflated price from one business to the other, thereby creating a charge of VAT which could be claimed as input tax and banked for the remaining time before it was to be paid over as output tax by the "vendor".

Nevertheless, it must be said that, in general, Customs have never been too happy when the timing works against them, despite the rigidity of the tax point regime which they insist must be observed by taxpayers.

When VAT was introduced on land and buildings in 1989, it was pointed out to the department that businesses might suffer if they had to wait for three months to claim the substantial input tax on the purchase of new premises. At that time, Customs said that they would consider making early repayments of tax in such cases, before the normal quarterly period end.

In reality, the position is quite different. Businesses which make unusual claims to repayment of tax must undergo time-consuming credibility checks even where the claim is made at the normal time. These will frequently involve visits from the local VAT office before their claims are approved for payment. Some of those checks are to ensure that the vendor has properly accounted for the tax which includes a check on the due date for payment.

This attitude is an unnecessary source of annoyance, as well as cost, to the trading community. On the whole, the VAT system works to the advantage of the Revenue. However, the system which provides for easily administered, self-assessed tax collection at each stage of the journey from production to final consumer inevitably contains in its structure benefits for some taxpayers. This should be accepted by Customs.

Further, the civil penalty system, progressively introduced since 1985, allows for little or no mitigation when errors or defaults are made by taxpayers. It is tempered only by a concession that in cases where Customs are extremely late in making repayments Customs will pay a compensation supplement.

Because these sanctions against underpayment of VAT are heavily biased in favour of the Revenue it is hard to see the justification for tilting the administrative balance of the collection system any further in favour of the department. If a realisation of that fact was at least part of the reason for Customs withdrawing from the Philips case, it would be an encouraging sign of as yet unseen maturity in the administration of VAT.

The author is senior tax manager at City solicitors Ashurst Morris Crisp.

UK COMPANY NEWS

Austin Reed down 48% as white-collar recession bites

By Jane Fuller

AUSTIN REED, the upmarket clothing retailer and manufacturer, blamed a dearth of tourists and a "white-collar recession" for a decline of nearly 48 per cent in pre-tax profit for the year to January 31.

The taxable figure fell from £6.9m to £3.6m, the lowest since 1983. Turnover declined by nearly 8 per cent to £78.4m (£85m) and trading profit by 34 per cent to £6.5m (9.9m). Interest charges were little changed at £2.9m (£3m).

Mr Barry Reed, chairman and grandson of the founder, said the start to the current year had been the worst he could remember. He has been on the board for 33 years.

The final dividend is held at 6.5p, making an unchanged total of 9.5p. This was only just matched by earnings per share of 9.5p (17.3p).

An extraordinary loss of £1.3m on the closure of Cashmeres of Scotland led to a retained loss.

Cashmeres, which was built up to 11 small US branches, had entailed an investment of £2.2m (£1.3m) over the past 3½ years, said Mr Reed. Over the past two years it had lost £1.1m.

On UK trading, he said: "The Gulf situation caused tourism to dry up which affected retailing in London.

"While womenswear stayed level with the previous year, men's tailored clothing was difficult. This recession has been atypical because it has been a white collar one in London and the south-east."

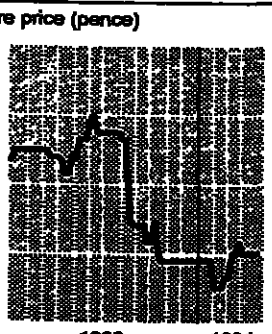
The group had closed two branches leaving a total of 40. About 10 per cent of the 2,000 jobs in retailing and manufacturing had been shed.

In manufacturing, exports were up, sales to other retailers were 25 per cent down and inter-company sales were static.

Borrowings (including credit finance) peaked at £20m but finished the year at £14.5m (£13.7m), compared with shareholders' funds of £54m (£55.8m).

Austin Reed

Share price (pence)



Source: Datastream

● COMMENT

It is possible to defend these figures as "no worse than expected," bearing in mind the company's dependence on the highly elastic, south-eastern end of the men's suit market. But there is still plenty of scope to quibble. Some of the customers, for instance, must be in the less-squeezed, mortgage-free bracket; the Cashmere venture was a failure; and the figures would have been even worse but for a £500,000 property profit and a sharp cut in capital spending. This year started with a 17 per cent sales fall in February, since when some ground has been made up. Progress will come from eliminating Cashmere's losses and lower interest payments; tight cost control is promised. A forecast pre-tax profit of £4m, but a higher tax rate, gives a prospective p/e of nearly 18 on the A share price of 170p. Japanese takeovers of Daks-Simpson and Aquascutum have stirred up some speculative interest, but with 60 per cent of the stock held by family, directors and friends, it looks as though it will be up to the present management to make better use of the prime sites and prestigious brand names. They should be helped considerably by economic recovery.

Increased interest payments reduce CWS to £19.1m

By John Thornhill

CO-OPERATIVE Wholesale Society, the co-operative trading company which has substantial interests in retailing, farming and manufacturing, raised trading profits from £30.7m to £44.1m in the year to January 12.

However, pre-tax profits fell from £19.7m to £19.1m after a higher interest charge of £21.8m (£13.8m). And following a £10.9m loss arising from bad-debt provisions in the banking group there was only £12.3m transferred to reserves in comparison with £34.7m last year.

Sir Dennis Landau, chief executive, said the society's property development and engineering businesses had also proved vulnerable to the downturn in the economy but that retailing had proved resilient and had increased profits by £6m.

He singled out for praise the performance of the Scottish retailing arm which which operates a wide spread of outlets, ranging from superstores to small shops in the Orkney, Shetland and Western Isles.

In total, the group's retailing activities now represent 30 per cent of turnover.

Almost half of CWS's business is accounted for by supplies to its retail society shareholders although these operations are run on a cost-recovery rather than a profit basis.

Sales topped £3bn for the first time climbing from £2.68bn to £3.03bn as the society benefited from the inclusion of North Eastern Co-op, which joined CWS in June.

During the year, CWS spent almost £150m on capital expenditure.

Sir Dennis said this had helped sow the seeds for future development which augured well for the future of CWS and the Co-op as a whole.

Sovereign Oil expands

By Deborah Hargreaves

SOVEREIGN OIL & Gas, the North Sea exploration and production company, reported an advance from £1m to £3.9m in pre-tax profits for 1990 after a strong rise in oil prices at the outset of the Gulf crisis.

Mr David Biggins, managing director, said he hoped for some stability in the value of sterling against the dollar this year to provide a reasonable future for the company's business. The weakness of the dollar against the pound had produced an oil price of £8 per barrel in February which was "sheer misery" for North Sea independent oil producers, he said.

Sovereign is partly hoping to hedge its exposure to the dollar oil price by increasing its stake in the Victor gas field which sells gas to British Gas on long-term contracts priced in sterling. Sovereign increased its stake in the field from 3 to 5 per cent with a $30m purchase from Superior Oil, an affiliate of Mobil.

Turnover rose to £20.4m (£12.3m). Earnings per share increased from 0.9p to 4.9p.

Aquascutum chairman retires a year after takeover by Renown

By John Thornhill

MR GERALD Abrahams, chairman of Aquascutum, has retired from the board of the fashion company after 44 years' service.

His departure comes almost exactly a year after the acquisition of Aquascutum by Renown, Japan's biggest clothing company.

At the time of the takeover, Mr Abrahams said that he looked forward to working with Renown and continuing to run the company from London.

But his departure and the appointment as chairman of Mr Paul Bennett, previously head of the company's Far East operations, is perhaps an indication of the greater influence Renown is now intending to exercise over the business.

In particular, Renown is planning to speed up the development of the company in North America and the UK.

Mr Bennett has also been appointed joint managing director along with Mr James Stokes, the former vice-chairman.

Mr Abrahams' wife, Marianne, who was the ladies fashion director, has also retired from the board.

They have however, been appointed the company's president and vice-president respectively.

Scottish Power boosts options

By James Buxton, Scottish Correspondent

SCOTTISH POWER, the larger of the two Scottish electricity companies due to be floated in May, said it had raised its exposure in the electricity options market with a 77 per cent increase in its option contract with the 12 English regional electricity companies.

It also said that losses of supply contracts to industrial customers in its own area in the current round were significantly smaller than in last April's round.

Last year Scottish Power lost 6 per cent of its business with large industrial customers – which take more than 1MW – measured by volume. Although that is lower than the losses suffered by the regional companies in England, Scottish Power emphasised that it was not immune from competition in Scotland and that has had a "material" effect on the prices it can charge.

Scottish Power increased its power sales in volume terms in the past year by 7 per cent through exports to England.

The company has agreed option contracts covering 320MW of power to the regional companies compared with 180MW last year. This is not a contract to supply electricity but a financial instrument under which Scottish Power guarantees a price for power which applies when the price prevailing in the electricity pool exceeds it. The regional companies pay an initial fee and Scottish Power still expects to make money if it has to supply the power.

Mr Michael Smith, marketing and distribution director, said Scottish Power had signed option contracts with industrial users in England in the current round of contracts which outweigh by three-and-a-half times the contracts lost.

Scottish Power recently agreed with another supplier an option contract for well over 200,000 gigawatt hours of power with an unnamed customer, offsetting option contract losses of 83,000 gigawatt hours.

Mr Smith said that Scottish Power's retail shops had roughly doubled their share of the south of Scotland white goods market last year to about 25 per cent, thanks to a large scale reorganisation and upgrading of its shops.

TECHNOLOGY

Beginning a series on innovation in the recession, **Charles Leadbeater** looks at how the economic climate has affected investment in research and development

A crackdown on originality

Bombarded by the pressures of recession British managers might be forgiven for putting plans for innovation to one side. But they would be gambling with their company's future.

As the director of one of the UK's leading electronics companies puts it: "We cut back research and development for 1988. We are still reaping the harvest of this decision, which has left us 1.5 product generations behind the competition. We are faced with the choice of leapfrogging generations or getting out of the business."

Innovation is becoming increasingly central to competition. It is no longer enough to produce low-cost, high-quality items. Product ranges must be renewed constantly to take advantage of the quickening pace of technological change and create distinctive products which can command a niche in international markets.

The Confederation of British Industry's Innovation Trends survey* published on Monday showed that UK companies have had little success in reducing the time it takes them to develop new products. Yet the need for new products is becoming more pressing. Companies reporting that the lifespan for their products had shortened outweighed those who said it had lengthened by almost 10 to one. About 40 per cent said they needed to replace their product ranges within three years.

The innovative capacity of an economy is a key index of its strength. The impact of the recession upon the UK's innovative potential will have implications for the health of the economy long after the recession is formally declared over. Cuts in investment in 1990-91 might allow dividends to be maintained in the teeth of recession. But by the mid-1990s companies may find their product development pipelines have run dangerously dry.

Britain entered the recession with a record for innovation which was at best mixed. The main source of industry's renewed competitiveness in the last decade was a leap in productivity. Between 1980 and 1987 output per person employed in the UK rose in real terms by 24 per cent, compared with 22 per cent in Japan, between 12 per cent and 14 per cent in Germany, Italy and France and about 7 per cent in the US. But have British manufacturers become more efficient at developing new products?

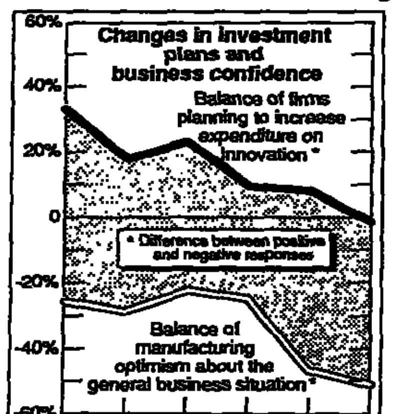
A House of Lords select committee report** published earlier this year says that many UK manufacturers invest too little in new or improved products, plants or systems. "They rely on doing what they have done in the past and fail to seize new opportunities created by changing customer demand. As a result their competitiveness declines."

Gross domestic expenditure on research and development fell in the UK between 1981 and 1988, but rose in France, Germany, Italy, Japan and the US. Public spending on R&D fell markedly while industry spending rose from about 1.2 per cent of GDP to about 1.25 per cent. This compares with a rise in German industry's expenditure from 1.4 per cent of GDP to 1.8 per cent.

British electronics groups such as GEC have been criticised for avoiding technologically important areas such as the mass production of semiconductors. In retrospect this looks like a sensible decision as all the big European semiconductor manufacturers – Siemens of Germany, Philips of the Netherlands and SGS-Thomson, the Franco-Italian joint venture – are losing money hand over fist on chips.

At best Britain's relative technological decline may have been arrested. It has definitely not been reversed and there are signs that it has continued. Is the British innovation system strong enough to withstand the battering of recession?

Over the last 15 months the outlook for innovation has deteriorated in line with the fall in confidence among



Source: CBI Quarterly Industrial Trends Survey

manufacturers, according to the CBI. In October 1989 a balance of about 35 per cent of manufacturers expected to increase their expenditure upon innovation in the year ahead. By January of this year the balance had turned negative – more companies expected to reduce their expenditure than those expecting to increase it.

Yet it seems possible that innovation may not be cut back as far as other costs and the cuts will fall unevenly across the economy. Throughout last year manufacturers remained quite bullish about their spending on innovation even though they had become deeply pessimistic about the business outlook. This may mean that innovation spending could get away with a shave rather than a cut, as long as confidence recovers soon (see graph).

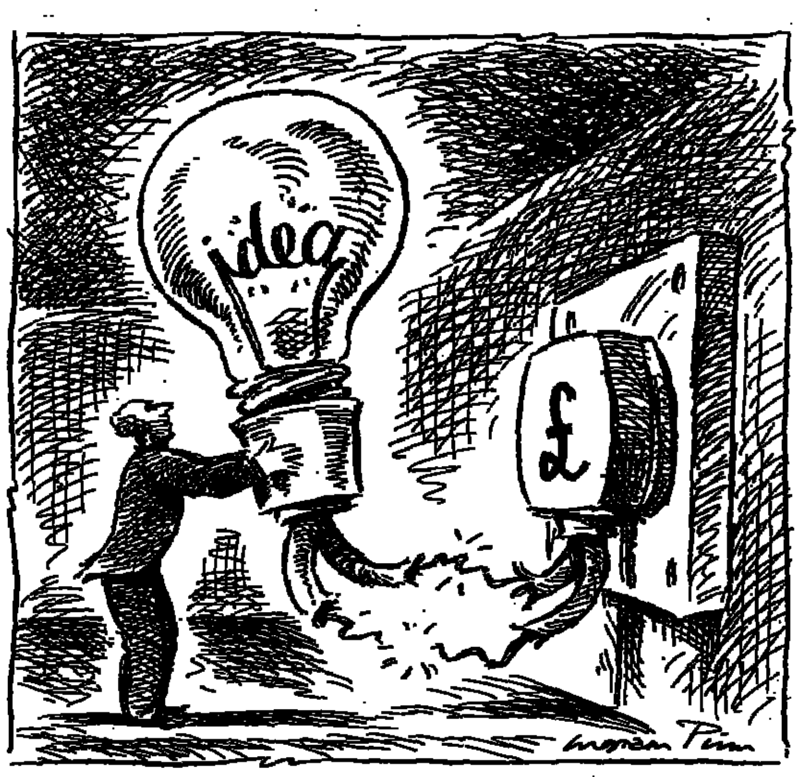
Moreover cuts in innovation are likely to be spread unevenly across the economy. The recession will widen the gap between those sectors where Britain has well-established strengths, built upon heavy research and development spending, and those where it is weak because it has under-invested in the past. The recession will amplify the difference between these two sectors.

Chemical and pharmaceutical manufacturers are the most buoyant about the outlook for innovation. A positive balance of 20 per cent of companies in the chemicals sector still expect to spend more on innovation in the coming year. Only 18 per cent think their spending is less than adequate. The UK entered the recession with a strong position in chemicals and pharmaceuticals and is likely to retain it.

In contrast the mechanical engineering sector is among the weakest in manufacturing, with one of the poorest investment records in the 1980s. In this sector the outlook for innovation is poor. A negative balance of 10 per cent of companies expect to spend less on innovation. About 44 per cent of companies believe their innovation spending is inadequate. This sector will be made weaker by the recession.

Yet it would be complacent to assume that areas of traditional strength will escape unscathed. The defence-related areas of aerospace and electronics are cases in point. Within the overall recession is a specific defence recession brought on by cuts in military expenditure.

Defence accounts for 51 per cent of UK government spending on research and development and 20 per cent of total UK research and development. Defence is one of Britain's specialisms. Military research feeds much of the civil aerospace and electronics industries. Thus the British innovation system will be particularly hit by cuts in defence-related research.



A development which may counterbalance the decline in defence is the increase in foreign investment in innovation in the UK. The share of British R&D accounted for by foreign companies rose from 4 per cent in 1967 to 13 per cent in 1986. In areas such as consumer electronics and automobile assembly the UK has become almost wholly dependent upon foreign groups. In the long run the prospects for innovation in the UK will increasingly turn upon whether large foreign groups choose to complement their UK manufacturing plants with research facilities.

Small companies may fare worse than larger groups. The CBI survey found that 45 per cent of companies which employ fewer than 50 people felt their spending on innovation was inadequate, compared with 30 per cent of companies employing between 1,000 and 5,000.

Innovation is the product of a complex process involving a range of ingredients. It seems likely that companies will cut back on some elements of innovation, while continuing to invest in others. According to the CBI, in manufacturing as a whole investment in formal R&D will fall this year. Yet there could be an expansion in the resources devoted to other elements of innovation such as training. David Lees, chairman and chief executive of GKN, the automotive and industrial services group, says: "In 1980 we cut back on training. This time we will not do that."

Joint ventures with foreign companies are set to expand. About 50 per cent of manufacturers are planning to put more effort into joint ventures which bring access to technology, according to the CBI. Some groups such as Smiths Industries in aerospace and John Brown in engineering pride themselves upon being highly skilled buyers, integrators and suppliers of technology to specific markets rather than inventing it in house.

Perhaps most importantly the best British companies have developed a management culture of continuous, incremental improvement to products and processes which will continue through the recession.

Indeed one beneficial side-effect of this recession may be to expose the relative fragility of the British approach to innovation. In the wake of the 1980-81 recession government policy and management effort was directed at improving labour productivity, through trade union reform, de-manning and the introduction of reformed working practices. The recession of 1990-91 may well yield a different, and altogether more complicated, task – to shore up and strengthen the British capacity to innovate.

** CBI Innovation Trends Survey, Issue Number 2, available from Centre Point, New Oxford Street, London WC1A 1DU. Price £40.*

*** House of Lords Select Committee on Science and Technology, Innovation in Manufacturing Industry, Volume 1, HMSO. Price £11.40.*

The series will continue next Thursday with a look at the chemicals industry.

Smart structures top of the class

Intelligent materials that respond to their environment are the basis for an emerging technology that adapts the substances into structures and products.

These "smart" structures alter their shape or strength in response to changes in the conditions surrounding them. They could range from intelligent artificial bones and intelligent clothes to aircraft that repair themselves in flight.

These ideas are still at an early stage of development. More immediately, smart structures are likely to be used in aircraft and in manufacturing technology where materials will be able to indicate when they have been formed correctly.

Manufacturers, research agencies and universities in many countries are pursing the technology, with the US, Japan and Britain leading the field. Japan's Science and Technology Agency is promoting work to create new substances and materials with in-built intelligence. "It is necessary for the [Japanese] government to promote fundamental research in these fields, which represents a challenge with fantastic feasible targets," according to the agency.

The Japanese government wants companies to accelerate the development of intelligent materials, "as a driving force for technology innovation".

In Britain, Strathclyde University opened its Smart Structures Research Institute in February and launched a company, Smart Structures Limited, to exploit work with industry on the development of intelligent materials for commercial products.

In the US several organisations and companies are involved, including Stanford University, Virginia Polytechnic, Florida Institute of Technology as well as United Technologies, Martin Marietta, McDonnell Douglas, Hughes Aircraft and Nasa (the National Aeronautics and Space Administration). Canada has a fibre optic smart structures laboratory in Toronto.

According to Nabil Zahlan, a researcher with ICI's advanced materials laboratory on Teesside, smart structures have some of the same characteristics as people. "They have signal processors for brains, mechanical actuators for muscles and sensors for nerves," says Zahlan.

In intelligent materials for smart structures, the nerves could be in the form of optical fibres, embedded in composite materials and able to sense changes, such as cracks in a structure, and send signals to actuators, the "muscles" in a smart structure.

Smart structures could also be made from intelligent materials such as "perceptive composites". These use piezo-electric elements that change shape when an electric current passes through.

Smart structures can cope with other changing circumstances, such as additional stress, and can prevent cracks developing that would destroy a structure. Applications include bridges, buildings and aircraft where structural failure could be catastrophic.

Fiona Underwood, an engineer with British Aerospace, says smart structures would also help manufacturers to reduce the life-cycle costs of a product, by reducing inspection requirements. An aircraft would indicate when a wing had cracked, for example, and would strengthen itself to cope with the crack.

BAe is also working on smart aircraft "skin", which would have radar and communications equipment built into the aircraft. Underwood forecasts that this material could be flying within five years.

The Strathclyde Smart Structures Research Institute has identified applications for smart structures in transport, civil engineering, manufacturing and in the design of consumer products from fishing rods and golf clubs, which could stiffen on contact with a fish or ball, to toys.

In transport smart structures can be used to monitor the structural integrity of satellites, aircraft, cars, boats and trains. It can also help in vibration control on spacecraft and active suspension systems for vehicles.

In civil engineering, smart technology could help in traffic control on roads, in the real-time monitoring of pipeline integrity and in the automatic damping of buildings and bridges subject to vibration.

Lynton McLain

COMMODITIES AND AGRICULTURE

Caribbean earthquake threatens banana trade

By Tim Coone in Managua

THE world banana trade faces severe disruption following the major earthquake which struck the Caribbean coasts of Costa Rica and Panama last Monday evening.

Approximately 35 per cent of the world's banana exports originate in the zone worst affected by the earthquake, which measured 7.5 on the Richter scale. Some 25,000 hectares of bananas are planted in Costa Rica and 8,000 hectares on the Panamanian side of the border. Bananas are the principal export of both countries.

"It is too early to say yet how long production will be disrupted. We are still assessing the damage," said Mr Joe Hagan, the vice-president of corporate affairs for the Cincinnati-based Chiquita Brands International company. Chiquita is one of the world's leading banana producers and is a major exporter from both countries affected by the disaster.

The economic infrastructure of the region has suffered extensive damage: roads, railways, ports, water and electricity supplies have all been severely disrupted, according to Costa Rica's National Emergency Commission.

The two banana-exporting ports of Puerto Limón and Almirante have suffered considerable damage and have suspended operations. According to one eye-witness "containers and railway trucks were thrown all over the place".

However, Mr Roberto Rojas, Costa Rica's foreign trade minister, said that the Moin quay at Puerto Limón – which is the main banana-loading wharf – "has not suffered major structural damage". The principal problem there appears to be a reduction in the depth of the water in the harbour because of the upheaval of the seabed.

According to Mr Antonio Restrepo, the spokesman for the Union of Banana Exporting Countries (UPEB) based in Panama, one and a half million boxes of bananas are shipped from Puerto Limón every week, and a further 300,000 boxes every week from Almirante in Panama.

Even if the ports can be put back into operation reasonably quickly, access will be difficult because of the severing of road and rail links. The epicentre of the earthquake occured 40km south-east of the port.

Damage to bridges along the main highway to Puerto Limón "may take a week to repair, but those to the south will take much longer as many have fallen into the rivers. It could be quite a while before exports can be resumed," said Mr Rojas.

A Costa Rican pilot who has been flying rescue missions to the earthquake-hit border region between Costa Rica and Panama said: "Huge trees look as they have been pulled out by the roots. All the bridges between the frontier and Puerto Limón are out and the road is destroyed. There is no way to get the maturing bananas out".

Adding to the difficulties, many of the plantation workers' homes have been destroyed or damaged, along with administrative buildings and packing plants.

It remains unclear to what extent the plantations themselves have been affected, but it is possible that many banana trees laden with fruit fell to the ground during the earthquake. It takes between six and nine months for a damaged banana tree to produce a new stem.

Texas fights pioneering swarms of 'killer' bees

By Nancy Dunne in Washington

THE long-dreaded invasion of the US by the Africanised "killer" honey bee has begun in south Texas, but federal and state officials are prepared for the assault.

Five swarms were identified and destroyed last week. US agriculture department (USDA) officials say these were the "pioneers," of the main column, which is now about 75 miles south of the US-Mexican border.

At risk is the state's $11m (£6.4m) honey industry and the 240 commercial beekeepers in Texas who move hives around the state to help crop pollination. They fear that the Africanised bees will take over the hives of the more compliant domestic bees.

They worry too about a crop of anti-bee legislation from lawmakers responding to public fears, and mass killings of domestic bees mistakenly identified as Africans.

As long as the weather and food supplies remain favourable, south Texas can expect to see honey bee swarms. Officials are trying to quiet public fears, pointing out that the sting of the Africanised bee is no more poisonous than their European cousins.

However, they become dangerous if their hives are jeopardised. Unlike the European honey bees – who send a few warriors out to frighten off invaders – the African bees swarm out by the thousands and pursue their prey for up to a mile.

The bees have demonstrated their restlessness ever since 26 swarms escaped from their keepers in Brazil, which imported them in 1956. The hybrids have been moving north ever since.

In appearance they are similar to the less aggressive European bees, but they are small and carry less venom. They produce only enough honey to sustain themselves before they wander off to new fields.

After the first Africanised honey bees were found in Texas last October, USDA and Texas state officials, aided by experts from Texas A&M University, began a survey of the areas around the first landing site.

The state established a quarantine around the second find and prohibited the movement of managed honey bee colonies in and out of the area. Eight counties extended the quarantine 100 miles north but permitted managed colonies to move into the area.

One plan under consideration would pacify the "killer" bees by killing their queens and replacing them with Europeanised rulers.

Spurt in oil prices drips away

Demand for refined products dries up, writes Deborah Hargreaves

OIL PRICES were slipping downwards yesterday as fears of a petrol shortage in the US receded and a short spurt of demand for gas oil in Europe evaporated. Strength in the price of refined products had pushed the crude price as high as $20 a barrel in the Brent market earlier this week.

As the weather turned unseasonally cold in Europe this week, demand for heating oil rose and helped support the crude price. At the same time, the low level of gasoline stocks in the US dragged up crude in the New York market.

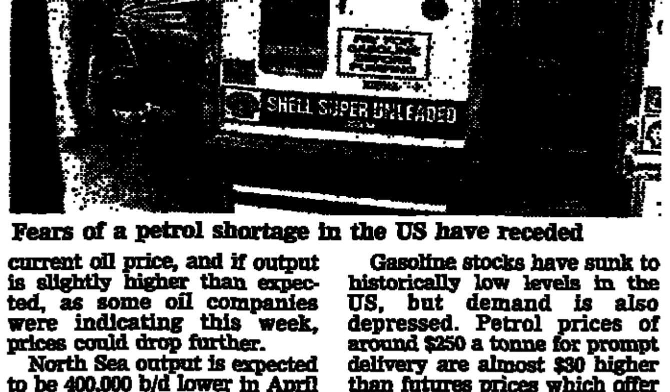
But these were fairly shakey foundations for a price rise since underlying demand is showing few signs of picking up and any tightness in the second quarter could quickly be relieved by ample world supplies.

As Europe and the US warm up from this week's cold spell, the demand which pushed heating oil prices up by $5 to $198 a tonne is disappearing as quickly as it arrived.

Traders who had piled into the market to buy oil on Monday were rushing out again yesterday when North Sea Brent crude for June delivery lost much of the gain it had made earlier in the week to trade at $19.30 a barrel.

Crude prices had been strengthened by the decline in the flow of oil from the North Sea because of heavy maintenance work and the discipline with which Saudi Arabia and Iran are disposing of their stocks of oil in floating storage.

But most of the production disruption in the North Sea has now been reflected in the current oil price, and if output is slightly higher than expected, as some oil companies were indicating this week, prices could drop further.



Fears of a petrol shortage in the US have receded

North Sea output is expected to be 400,000 b/d lower in April than in March at 1.5m b/d, rising again to 1.8m b/d in May. Shell said recently that by early May it hopes to boost production from its Brent pipeline, which is currently shut down for the installation of emergency shutdown valves.

In addition, while Saudi Arabia and Iran have agreed not to push the oil they hold in floating storage on to the market, the movement of Iranian tankers from the Bay of Cadiz off Spain this week has caused concern in the market. Traders think that Iran may be starting the sale of its oil to the US.

While concern still exists in the US over the low level of petrol stocks, a steady flow of imports into the north-east is starting to erode these fears.

Gasoline stocks have sunk to historically low levels in the US, but demand is also depressed. Petrol prices of around $250 a tonne for prompt delivery are almost $30 higher than futures prices which offer gasoline for delivery in August, indicating a short-term tightness in the market but not a sustained rise in demand.

Demand for petrol in the US dropped by 3 per cent in the first quarter of the year, and although some pick-up is expected in the next couple of months as the nation enters its peak driving season, consumption is not expected to be higher than normal.

Fears of a petrol shortage in the US lifted crude prices on the New York Mercantile Exchange to over $21 a barrel earlier this week. But as some technical buying dried up, the June futures contract slipped to $20.47 a barrel

US stocks of petrol are currently some 25m barrels below the low end of the seasonal range and, at 205m barrels, are right at the minimum operating level set by the government.

Imports of petrol to the US dropped significantly during the Gulf crisis when high petrol prices and strong demand in Europe sucked in deliveries that would traditionally have gone to the US. In the first quarter, gasoline imports dropped from last year's level of 360,000 b/d to 200,000 b/d.

But Mr Ken Miller, a consultant at the US firm of Purvin and Gertz, believes that fears of a petrol shortage are exaggerated. "Imports are now starting to pick up, demand remains low and refineries are increasing their output of gasoline."

European refining margins are dropping back after rising to $3 a barrel this week on the back of strong gas oil demand. The margin refiners can claim over crude oil slipped to just $1 a barrel last week from a peak of $11 in February when the Gulf war was still underway.

As the strength in the market for refined products disappears, oil prices are dropping quickly. While Saudi Arabia and Iran are not flooding the market with crude from their floating stores, there is still some competitive pressure between the two which could ease prices down.

The oil market is currently searching for a direction and, if that direction is not to be overwhelmingly downwards, there needs to be a substantial pick-up in demand or evidence of further production cutbacks.

EC to place cap on imports of east European live calves

By David Gardner in Brussels

THE EC is today expected to place limits on the import of live calves from eastern Europe, mainly Poland, in response to the Community's growing beef crisis.

The move will add to the disgruntlement of the post-communist democracies of the east, whose leaders have accused the EC of blocking access to those goods in which they have a comparative advantage.

The 227,000 head quota for live calves coming in under the normal import levy – 93 per cent taken up by Poland, with the rest from Czechoslovakia – has already been filled, a European Commission official said. No more would be allowed in under this regime, under a safeguard clause devised by the Council of EC agriculture ministers last month.

But the EC will allow in an 198,000 head quota agreed at the same time, with a levy reduced by two thirds from the normal Ecu124 per 100 kilos. Most of these will also be from Poland. Fattened cattle can also still come in – "calves" are regarded as under 220 kilos in weight and are imported for fattening within the EC.

The meat industry had to be ready to respond to legitimate customer concerns, said Mr John Gummer, UK agriculture minister, opening the World Meat Congress in London yesterday, writes David Blackwell. The industry had to be able "to demonstrate that meat is good and wholesome and is produced to the highest standards of quality, safety and welfare" in the face of consumer concern over animal health and meat handling.

Mr Gummer also defended the EC decision to ban the **import of meat containing growth hormones as "perfectly proper". He denied the EC move, which the UK had argued against, was "an undercover trade ban". The overwhelming belief within the EC was that its consumers wanted meat without hormones, he said.**

The Commission points out that this regime was started to bridge a domestic deficit, which has now turned into an expensive surplus. The stockpile of unwanted beef has reached 750,000 tonnes, and big producers like Ireland are already talking of having to store meat in refrigerated ships.

Mr Ray MacSharry, EC agriculture commissioner, said on Monday that if no action is taken to bring supply into balance with demand, the beef mountain would reach 1m tonnes this time next year – well over its 1987 peak – in spite of signed contracts to export 335,000 tonnes from the existing stockpile.

Beef producers attribute the Community's oversupply to eastern Germany's incorporation into the EC, which had as one effect the slaughter of 380,000 milk cows (and perhaps 250,000 more this year) to adjust to the Community's milk quota system. They also blame the loss of lucrative markets in the Middle East because of the Gulf crisis, and anxiety over "mad cow" disease, bovine spongiform encephalopathy.

The Commission, while recognising these circumstances, argues that the real problem is structural, pointing to long-term trends in the rising production and falling consumption of beef.

Aluminium at lowest level for four years

By Kenneth Gooding, Mining Correspondent

ALUMINIUM'S PRICE fell to $1,384 a tonne at one stage yesterday, the lowest level for three-month metal since the London Metal Exchange introduced its high-grade aluminium contract in 1987.

The price recovered slightly later in the day but some analysts suggested it would go on falling until substantial output cuts are made by the industry, which is still producing at close to full capacity.

However, Mr Robin Bhar, analyst at Carr Kitcat & Aitken, part of the Banque Indosuez Group, said: "Producers obviously feel better times are just around the corner and might be willing to operate at full blast for another three or four months yet on the assumption that stocks will be eaten up when demand picks up."

He estimated that between 10 and 15 per cent of western aluminium smelting capacity is operating at a loss.

Mr Angus MacMillan, analyst at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, suggested the price could go on falling to $1,250 a tonne unless there were production cuts. "But there are costs involved in shutting down production and no producer wants to be the first to do so."

Both analysts pointed out that many producers now had energy supply contracts linked to the price of aluminium and that this enabled them to keep going despite weak demand.

Yesterday's price fall was apparently triggered by the release late on Tuesday of US statistics showing falling durable goods orders in March.

Aluminium for immediate delivery closed last night at $1,357 a tonne, down $21 a tonne from Tuesday's close, while three-month metal was at $1.388.50, also down $21.

Private metal trader to go into liquidation

By Kenneth Gooding

PHILIPP & LION, one of the last privately-owned international metal-trading groups left in London, ceased trading yesterday and said it intends to seek voluntary liquidation.

Mr Michael Lion, chairman and chief executive, said that the company recently ran into financial difficulties and this week entered into discussions with its bankers. But, in spite of being offered additional facilities, it was not possible to arrange satisfactory terms.

Mr Lion said the company's immediate problem was an extreme liquidity shortage which, with the best will in the world, it was not able to solve with its several banks. No one loss caused the difficulties, "it was a cumulative thing".

All 40 employees in London have been made redundant but some will stay on to help with the liquidation. Philipp & Lion has called in accountants Touche Ross to advise on the liquidation and there will be a creditors' meeting on May 15.

Mr Lion is one of the two largest shareholders in the company, along with Mr Melvin Sheinbein.

The company's operations in the US – Philipp & Lion International and Philipp & Lion Trading, which between them employ about 20 people – remain active and operational, Mr Lion stressed.

The company's trading activities were mainly in non-ferrous metals, both primary and scrap.

Metal traders suggested yesterday that there were some signs that many banks were now unwilling to keep a high financial exposure in volatile commodity markets.

The physical merchanting business had contracted in recent years and this trend was likely to continue, traders added. Other merchants were believed to be in difficulties.

WORLD COMMODITIES PRICES

MARKET REPORT

Raw sugar prices were slightly higher by midday in New York after the active July contract fell earlier to a 38-month low of 7.80 cents a lb. New York's recovery on computer managed fund buying lifted prices during late trading in London, which had earlier tumbled to three-year lows. London's dry cargo freight futures closed higher on sustained expectations of Soviet chartering demand, traders said. The index jumped 32 points to 1,632 on unconfirmed talk that the first Soviet grain purchases following a request for US credits had been recorded in Canada. But interest waned as no confirmation was forthcoming; later the White House said a decision was not imminent. On the LME the premium for cash lead widened on increased concern over tightness for May delivery metal. Traders noted that the tightness coincided with the closure for about 15 days from May 3 of Britannia Refined Metals Northfleet refinery in the UK, owing to delays in shipments of feed from the Mount Isa Mines lead smelter in Queensland. The delays caused a shutdown at the 185,000 tonne a year facility earlier this month. Tin shrugged off earlier profit taking and maintained its uptrend to close at the highest levels since mid-January.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.40-5.50u	-0.10
Brent Blend (dated)	$19.40-9.55	-0.75
Brent Blend (Jun)	$19.30-9.35	-0.10
W.T.I. (1 pm est)	$20.95-1.00u	-0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$247-249	-2
Gas Oil	$188-189	-5
Heavy Fuel Oil	$69-71	-1
Naphtha	$201-203	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$355.95	+0.25
Silver (per troy oz)♣	394.50c	+3.00
Platinum (per troy oz)	$392.75	+3.25
Palladium (per troy oz)	$101.00	+1.00
Aluminium (free market)	$1360	-20
Copper (US Producer)	112¾c	-1½
Lead (US Producer)	33c	
Nickel (free market)	417c	-7
Tin (Kuala Lumpur market)	15.03r	+0.10
Tin (New York)	266.0c	+5.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.24p	+0.55*
Sheep (dead weight)†	222.58p	+11.2*
Pigs (live weight)†	91.05p	+3.71*
London daily sugar (raw)	203.0t	-3.6
London daily sugar (white)	$259.5t	-3.5
Tate and Lyle export price	£226.0	-3.5
Barley (English feed)	unq	
Maize (US No. 3 yellow)	£178	
Wheat (US Dark Northern)	£97	
Rubber (Jun)♥	53.50p	+0.25
Rubber (Jul)♥	54.00p	
Rubber (KL RSS No 1 May)	227m	
Coconut oil (Philippines)§	$335.0q	+2.5
Palm Oil (Malaysian)§	$325.0t	
Copra (Philippines)§	$227.5x	+7.5
Soyabeans (US)	£161.5	+0.5
Cotton "A" index	83.55c	-0.05
Wooltops (64s Super)	344p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jun/Jul t-May/Jun u-Jun. x-Jul/Aug. s-Apr/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	**Close**	**Previous**	**High/Low**	
May	181.00	175.00	181.80	172.80
Aug	179.40	175.00	179.60	171.80
Oct	180.00	175.80	179.60	171.80
Dec	182.00	176.20	174.00	174.00
Mar	178.20	175.20	178.20	173.00
White	**Close**	**Previous**	**High/Low**	
Aug	266.0	265.0	267.0	264.0
Oct	247.0	245.0	247.0	244.8
Dec	247.0	243.5	244.0	243.8
Mar	252.0	246.0	247.3	247.0
May	260.0	250.5	251.8	251.5
Oct	256.5	247.5	244.5	

Turnover: Raw 1069 (957) lots of 50 tonnes. White 726 (217)
Paris- White (FFr per tonne): Aug 1586, Oct 1480.

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Jun	19.48	19.32	19.50	19.05
Jul	19.20	19.01	19.22	18.84
Aug	19.00	18.96	19.00	18.80
Sep	18.97	18.93	18.97	18.75
Oct	18.75	18.90	18.75	
Nov	18.83	18.90	18.83	18.70
IPE Index	19.62	19.33		

Turnover 11291 (9582)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
May	184.00	186.75	186.50	181.00
Jun	177.00	180.50	180.00	175.00
Jul	173.50	176.75	176.00	171.50
Aug	175.75	178.50	177.00	173.75
Sep	177.50	180.50	178.50	175.75
Oct	179.75	183.00	180.00	177.75
Nov	180.50	183.25	180.50	177.75
Dec	180.00	184.00	180.00	178.00
Jan	178.00	183.00	178.00	177.00

Turnover 8271 (13668) lots of 100 tonnes

WOOL

Demand for wool continues to build up. Prices were sharply higher at New Zealand sales on April 24 by around 10-15%. British wool is now expected to be dearer at the forthcoming sale on May 1. Australian wool prices continue to rise steadily with all wool offered taken up by the trade. There is not the same buoyency in consumer markets. Prices are some 10p per kilo. dearer for tops in Bradford, where US dollar strength is also a firming factor. The basis for 64s super is 350p/kg and for 58s average 263p.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
May	638	645	646	635
Jul	667	670	670	662
Sep	692	694	695	687
Dec	724	726	723	718
Mar	754	756	753	747
May	773	777	772	767
Jul	793	796	794	787

Turnover: 5328 (7623) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 23 852.54 (839.50) 10 day average for Apr 24 854.58 (854.35)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
May	582	577	572	560
Jul	594	603	597	589
Sep	613	620	615	608
Nov	632	637	631	626
Jan	647	653	646	645
Mar	664	668	664	660

Turnover: 6477 (4896) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 23 : Comp. daily 70.57 (70.76). 15 day average 72.05 (72.20)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
May	138.0	137.0	140.0	137.0
Apr	134.2	129.0	134.5	130.0

Turnover 180 (138) lots of 40 tonnes.

SOYABEAL – London FOX			£/tonne	
	Close	Previous	High/Low	
Jun	127.00	123.50	127.00	124.00
Aug	129.00	125.50	129.00	127.00
Oct	132.00	130.00	132.00	

Turnover 1193 (290)lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Apr	1636	1623	1636	1630
May	1620	1605	1620	1597
Jul	1274	1270	1275	1262
Oct	1365	1360	1360	
BFI	1632	1600		

Turnover 317 (235)

GRAINS – London FOX			£/tonne	
Wheat	**Close**	**Previous**	**High/Low**	
May	136.00	136.35	136.50	136.00
Jun	139.50	140.00	140.30	139.50
Sep	111.10	110.70	111.00	
Nov	114.05	113.70	113.95	113.60
Jan	117.45	117.10	117.00	
May	124.20	123.75	123.50	
Barley	**Close**	**Previous**	**High/Low**	
May	117.85	118.05	117.75	117.50
Sep	107.85	107.85	107.85	
Nov	111.15	111.00	111.00	110.95

Turnover: Wheat 174 (243), Barley 48 (92).
Turnover lots of 100 tonnes.

PIGS – London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
May	115.0	115.0	114.5	
Jul	116.0	116.5	116.0	
Aug	116.5	116.5	116.5	116.0
Sep	116.5	116.5	116.5	116.0
Oct	116.0	116.5	116.0	
Jan	112.0		110.0	

Turnover: 31 (104) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	151.82	153.65			
May	151.50	152.50	152.20	151.50	101
Jun	151.40	151.90	151.40	150.80	102
Sep	150.30		150.80	150.30	85
Dec	151.00		151.00		20

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 21,765 lots
Cash	1358-8	1377-9	1357/1353	1356-7		
3 months	1388-9	1409-10	1405/1383	1388-9	1388-9	73,838 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,680 lots
Cash	1463-5	1451-3	1486/1448.5	1448-8.5		
3 months	1437-8	1429-30	1447/1427	1426-7	1446-7	101,909 lots
Lead (£ per tonne)						Total daily turnover 5,174 lots
Cash	361-3	357-9		363-4		
3 months	355-6	353.5-5	357/353	354-4.5	356-8	15,079 lots
Nickel ($ per tonne)						Total daily turnover 2,524 lots
Cash	8975-9000	9060-80		8965-75		
3 months	8975-80	9050-65	9050/8950	8975-80	9025-50	9,223 lots
Tin ($ per tonne)						Total daily turnover 4,130 lots
Cash	5685-90	5545-55	5700/5675	5600-05		
3 months	5755-60	5640-60	5800/5675	5875-80	5795-800	5,692 lots
Zinc, Special High Grade ($ per tonne)						*Total daily turnover 7,246 lots*
Cash	1225-30	1242-7	1225	1224-5		
3 months	1170-1	1176-7	1182/1170	1176-7	1175-7	24,868 lots

LME Closing £/$ rate:
SPOT: 1.7015 | 3 months: 1.6783 | 6 months: 1.6612 | 9 months: 1.6495

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz) $ price		£ equivalent
Close	355.70-356.20	
Opening	355.50-356.00	
Morning fix	355.90	207.946
Afternoon fix	355.80	206.967
Day's high	356.20-356.60	
Day's low	355.50-355.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.43	6 months	5.31
2 months	5.39	12 months	5.20
3 months	5.37		

Silver fix	p/fine oz	US cts equiv
Spot	230.20	393.75
3 months	236.70	399.45
6 months	243.30	405.90
12 months	255.85	419.85

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	357.00-358.00	210.75-211.25
Maple leaf	365.00-366.00	214.50-215.00
New Sovereign	86.00-87.00	50.50-51.00

TRADED OPTIONS				
Aluminium (99.7%)	**Calls**		**Puts**	
Strike price $ tonne	May	Jun	Apr	Jun
1250	116	139	1	4
1350	23	62	7	25
1450	1	19	84	81
Copper (Grade A)	**Calls**		**Puts**	
2350	156	112	1	39
2450	61	59	5	85
2550	8	27	52	151
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
550	15	37	7	8
600	20	18	20	25
650	56	69	53	56
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
600	20	66	4	10
650	33	40	17	48
700	13	24	7	82
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850		52		
1950	46	25		
2000	25			

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Apr	356.1	357.1	356.7	355.1
May	356.4	357.4	0	0
Jun	358.1	358.9	358.7	356.3
Aug	361.1	361.9	361.3	359.3
Oct	364.3	365.1	364.6	363.0
Dec	367.6	368.4	368.0	366.0
Feb	371.0	371.8	0	0
Apr	374.3	375.1	0	0
Jun	377.9	378.6	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	390.4	390.2	393.0	390.5
Jul	394.4	394.2	396.3	393.5
Oct	398.1	397.9	397.5	397.0
Jan	401.4	401.2	402.5	402.5
Apr	405.4	405.2	406.5	405.0
Jul	409.9	409.7	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Apr	391.9	393.6	0	0
May	392.2	394.0	395.0	387.0
Jun	394.8	396.3	0	0
Jul	397.1	398.8	400.0	392.0
Sep	402.0	403.7	404.5	398.0
Dec	409.0	410.7	411.0	404.5
Jan	411.3	413.0	0	0
Mar	416.5	418.2	0	0
May	421.6	423.4	0	0
Jul	426.7	428.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	108.85	108.60	109.40	108.50
May	109.05	108.70	109.50	108.20
Jun	108.73	108.50	108.80	108.50
Jul	107.95	107.70	108.40	107.60
Aug	107.40	107.15	0	0
Sep	106.80	106.60	107.15	106.50
Oct	106.25	106.05	0	0
Nov	105.80	105.60	0	0
Dec	105.20	105.10	105.50	105.00
Jan	104.45	104.45	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jun	20.97	20.88	21.20	20.63
Jul	20.78	20.69	20.96	20.45
Aug	20.66	20.51	20.71	20.30
Sep	20.43	20.37	20.53	20.18
Oct	20.30	20.26	20.40	20.12
Nov	20.30	20.18	20.32	20.10
Dec	20.15	20.12	20.25	19.97
Jan	20.07	20.04	20.12	19.97
Feb	19.92	19.97	19.92	19.90

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
May	5650	5897	5710	5610
Jun	5580	5608	5665	5550
Jul	5560	5593	5640	5530
Sep	5750	5744	5785	5720
Oct	5850	5834	5890	5820
Nov	5955	5924	5955	5875
Dec	6015	6004	6100	5955
Jan	6055	6019	6060	5960
Feb	5905	5884	5935	5855

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
May	1039	1049	1049	1035
Jul	1059	1069	1069	1052
Sep	1089	1097	1096	1081
Dec	1129	1138	1136	1123
Mar	1162	1170	1160	1158
May	1188	1198	1193	1190
Jul	1219	1225	1220	1216

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	88.30	88.95	88.75	87.35
Jul	90.65	90.80	90.90	89.25
Sep	92.85	93.15	92.90	91.60
Dec	95.75	96.05	95.90	94.75
Mar	98.40	99.00	99.00	97.65
May	100.40	101.05	100.50	0
Jul	101.50	102.55	0	0
Sep	104.05	105.10	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	8.24	7.88	8.25	7.88
Jul	8.05	7.83	8.08	7.80
Oct	7.97	7.78	8.01	7.78
Mar	7.99	7.83	8.04	7.82
May	8.06	7.93	8.12	7.93
Jul	8.10	7.96	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
May	87.75	87.29	89.00	86.50
Jul	85.40	85.90	86.35	84.40
Oct	75.35	75.61	75.85	74.60
Dec	70.71	71.35	71.30	70.15
Mar	71.71	72.25	72.00	71.40
May	72.41	72.83	72.80	72.41
Jul	72.70	73.00	73.00	72.66

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	113.60	112.65	114.00	112.40
Jul	113.60	112.50	113.95	112.10
Sep	113.80	112.80	113.90	113.05
Nov	113.50	113.00	113.50	113.50

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Apr 24	Apr 23	mnth ago	yr ago
	1733.8	1741.3	1727.3	1937.9
DOW JONES (Base: Dec. 31 1974 = 100)				
	Apr 22	Apr 18	mnth ago	yr ago
Spot	126.49	126.74	123.74	135.54
Futures	127.95	128.05	127.97	133.65

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	593/0	593/2	598/0	588/0
Jul	606/2	605/4	610/4	600/0
Aug	611/2	610/6	614/6	606/0
Sep	612/4	613/2	617/0	609/0
Nov	621/2	622/2	625/0	617/0
Jan	632/2	632/2	636/0	629/0
Mar	643/4	642/4	645/4	641/0
May	651/0	650/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	21.15	21.34	21.41	21.12
Jul	21.44	21.70	21.82	21.41
Aug	21.63	21.87	21.96	21.61
Sep	21.80	22.03	22.15	21.80
Oct	21.98	22.19	22.30	21.98
Dec	22.25	22.50	22.55	22.25
Jan	22.32	22.57	0	0
Mar	22.57	22.82	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
May	177.5	175.1	178.0	174.7
Jul	180.7	178.0	181.4	177.6
Aug	181.7	179.1	182.6	179.2
Sep	183.2	180.2	183.9	180.0
Oct	184.2	181.1	184.5	181.5
Dec	187.0	184.3	187.7	184.0
Jan	187.5	184.5	188.3	186.0
Mar	1191.7	1188.2	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	255/4	256/4	257/6	255/0
Jul	262/2	263/2	264/6	261/4
Sep	259/6	261/2	262/4	259/0
Dec	259/0	260/2	261/6	257/0
Mar	266/0	268/0	269/2	265/0
May	270/4	272/6	274/2	270/2
Jul	275/0	277/0	278/0	274/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	279/2	281/2	283/2	279/0
Jul	290/2	292/2	294/2	289/6
Sep	299/2	301/4	303/0	298/4
Dec	313/0	314/4	316/0	312/4
Mar	321/4	323/0	0	0
May	324/0	325/4	327/2	324/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	76.17	76.12	76.55	76.15
Aug	75.02	74.87	75.30	74.87
Oct	76.32	76.37	76.62	76.27
Dec	76.40	76.55	76.75	76.37
Feb	76.02	76.10	76.30	76.02
Apr	76.80	76.70	76.95	76.80
Jun	75.70	0	75.95	75.70

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	57.90	57.92	58.35	57.70
Jul	57.07	56.97	57.40	56.90
Aug	53.87	53.85	54.30	53.90
Oct	48.82	48.80	49.00	48.80
Dec	48.45	48.32	48.62	48.30
Feb	47.77	47.70	47.95	47.75
Apr	46.30	46.20	46.35	46.30

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	64.02	63.40	65.17	63.75
Jul	61.75	61.22	62.60	61.55
Aug	58.67	58.22	59.92	58.50
Feb	59.60	60.12	60.47	59.60
Mar	59.60	60.47	0	59.60

LONDON STOCK EXCHANGE

Footsie again dips below 2,500 level

Account Dealing Dates		
*First Dealings:		
Apr 15	Apr 29	May 20
Option Declarations:		
Apr 25	May 16	May 30
Last Dealings:		
Apr 26	May 17	May 31
Account Day:		
May 7	May 28	Jun 10

*New-time dealings may take place from 8.30 am two business days earlier.

FADING HOPES for interest rate cuts, together with underlying fears of further rights issues from leading UK companies, drove the UK stock market well below FT-SE 2,500 yesterday. Once again it was lack of support that undermined share prices rather than selling pressure.

ICI gave ground on nervousness that today's trading statement for the first quarter could include a rights issue. Other international blue chips were unsettled by currency concern as central banks continued to sell the dollar. Optimism on interest rates continued to melt away, discouraged further by the view of Mr Alan Greenspan, chairman of the Federal Reserve, that current inflation levels do not justify further cuts in US rates.

Equities opened higher in London and struggled forward briefly until the premium on the Footsie futures contract began to fade. Then the hints of impending rights issues, ranging widely across the market sectors, turned share prices downwards. The Footsie, already more than 15 points off, extended its fall when Wall Street opened the new session on an uncertain note.

London rallied when Wall Street reversed early weakness to show a gain of 9 Dow points in UK hours. The final reading put the FT-SE Index at 2,488.6, a fall on the day of 15.2 points.

Seaq volume fell to 436.7m shares from the 520.6m of the previous session, both figures making a poor comparison with the 700m-share daily averages achieved during the market advance in February and March. The latest daily figure for retail or customer interest in equities was only £751.4m, a return to the unprofitable levels which have concerned the UK market for much of the past four years.

Rights issue hints were refuelled yesterday by two more relatively small fund-raising moves; Hardy Oil & Gas called for £27.6m and Ashtead for £5.8m. The list of rights issues continues to lengthen, but this month has yet to produce the large scale funding move said in the market to be planned by a leading Footsie company.

Glaxo, the pharmaceutical group, provided a lonely firm feature among blue chip internationals, helped by a recommendation from a London securities house. The rest of the sector slipped lower, often in thinnish trading. Reuters, the global reporting agency, came under pressure from US selling as soon as Wall Street opened. The focus on Glaxo took the heart out of SmithKline Beecham.

There was no further support for retail stocks, which brightened briefly at the beginning of the week on a report from the Confederation of British Industry that high street spending improved last month. Among the sector leaders, Marks and Spencer and Kingfisher shaded easier.

Strategists commented that the London market appears to have lost confidence for the short term outlook, which is now clouded by political as well as economic uncertainties. Hopes for an early reduction in base rates have been put on hold, in spite of the confident comments this week by the UK chancellor of the exchequer at a conference of senior UK business executives.

The City is also nervous ahead of the UK local government elections to be held early next month. These could hold the key to the timing of the next General Election, which the governing Conservative party must hold by July 1992. UBS Phillips & Drew believes that any prospective economic recovery may not be enough to help the government's re-election next year.

Heavy trading in Reuters

REUTERS bowed under the weight of sell orders ahead of today's annual meeting and the reaction to a downgrading from US securities house Merrill Lynch. For the current year Merrill has cut its profits forecast by £45m to £320m, increasing, among other things its provision for redundancy payments.

Bulls of the stock among the analysts rushed to its defence. They pointed out that several brokers had already written in the Merrill forecasts. They said that nerves ahead of the annual meeting were to be expected, given the stop-start prospects for the company's new trading products since last summer.

They conceded, however, that with much of the trading in the stock being conducted in New York, a downgrading from a US broker would have significant influence.

Reuters dropped 5 at one point before ending at 823p, a net decline of 42. Trading was heavy for the stock, with 3.3m shares changing hands.

ECC weaken

Two apparently misconceived market stories took the spice out of the shares of ECC, the industrial materials group, yesterday. After outperforming the rest of the sector for the past month, the shares reacted nervously on hints both of a rights issue and that a large line of stock was on offer. The shares fell to 406 before closing 15 down on balance at 410p.

The rights issue speculation probably stemmed from the group's announced intention to replace some short-term debt. ECC said last year, when acquiring Georgia Kaolin, that part of the three-year multi-currency credit facility of up to $600m necessary to finance the deal would in due course be put on a longer term basis in international capital markets.

ECC said it did not intend that such funding would be the subject of a rights issue and, according to finance director Mr Robert Carlton-Porter yesterday, the position has not changed.

Investigation into the stock-on-offer report revealed the presence of an eager seller but not in the million-plus quantities suggested by the talk.

Cadbury Schweppes fell 10 to 370p as speculation continued that it is about to issue a £400m convertible bond to fund a takeover of Dr Pepper/7-up, the US soft drinks company. The shares refused to recover in spite of the company once again ruling out any rights or bond issue.

Asda was a penny lower at 121p on turnover of 4.6m as the market waited for the company's meetings with brokers which begin today. There has been widespread speculation that brokers will lower their forecasts after the meetings.

Argyll dipped 3 to 300p after reports that analysts at some leading investment institutions had visited the company, while Unilever shed 3 to 758p ahead of its quarterly figures expected on May 17.

S.G. Warburg added its voice to the chorus of analysts saying that Glaxo should be bought. Warburg, the company's broker, published a comprehensive review of Glaxo's products. It was particularly positive on asthma treatments, where it said that within five years revenues should exceed those from Glaxo's best selling drug Zantac.

SmithKline Beecham continued to suffer from recent "take profits" advice. The shares briefly dipped below £8 before ending at 807p, a net 10 easier.

ICI weakened again in nervous trading ahead of today's first-quarter results. Sentiment was not helped by vague talk that the company would announce a rights issue and maybe a deal to buy a stake in Wellcome – not an idea new to the market. Level headed traders disbelieved this theory, and pointed to Wellcome's relatively steady performance yesterday in quiet trading. ICI, 18 off at one stage, ended 13 down on balance at 1070p. Wellcome eased 3 to 527p.

Legal & General retreated 13 to 438p on 1.7m, upset by downgradings from a number of broking firms. London & Manchester was slightly easier at 337p after new business figures described as disappointing by one trader.

A number of downgrades kept the composite insurances under persistent pressure. Analysts are now expecting all the big five composites to record losses for the current year.

General Accident and Guardian Royal are expected to record losses of around £100m, Royals some £90m, Sun Alliance £70m to £80m and Commercial Union around £30m. The biggest turnover, 3.5m, was in Guardian Royal, 4 off at 204p, while Royals dipped 7 to 449p, General Accident 5 to 532p and Sun Alliance 3 to 363p.

Some keen two-way interest was shown in Amstrad, which settled unchanged on the day at 76p, having eased earlier in the session. The early uncertainty came as Kleinwort Benson downgraded its profits estimates for the group. For this year Kleinwort has cut its forecast from £44m to £36m and for next year it has moved from £60m to £55m.

Ms Judy Stewart at Kleinwort said the lower forecast followed on from a number of bearish signs in the computer industry.

It was also pointed out that Amstrad had been selling significant amounts of stock in Micron, the computer chip manufacturer, where some 3.5m shares were acquired in October 1988. Amstrad said it had sold 2.2m of these shares. James Capel, Amstrad's broker, is believed to have downgraded the stock.

Wardle Storeys began to reap the rewards of a series of presentations hosted by Smith New Court to Scottish investment institutions. Smith believes there is a more realistic air about the company these days and, in spite of the downturn, a more robust feel about the potential. The shares bounced 11 to 309p.

Negative comment on the refinancing exercise caused investors to have second thoughts about Cannon Street Investments and the shares consequently gave back part of Tuesday's sharp rise to close 12 down at 112p.

Morgan Crucible regained some of the ground lost since last week's rights issue announcement, ending 8 better at 241p.

Fears that Vickers may tell today's annual meeting of falling sales for Rolls-Royce cars and warn about profits from the luxury car division put the shares down 6 more to 211p.

Aerospace Engineering rose 5 to 54p after favourable comment.

Ibex Holdings, the recruitment consultancy and employment agency, plunged 7 to 11p on news that a bid may be made at a level "materially lower" than the current market price.

Motor distributor Jessups dropped 9 to 46p after revealing losses and a dividend cut at the half-way stage.

Investors continued to favour Betterware Consumer Products and, in thin trading, the price advanced 15 further to the highest level this year of 227p. The annual results are expected in June.

The recent rise in oil shares, stimulated by higher crude prices and the strength of the dollar, was reversed yesterday. The appearance of a number of big institutional sellers accompanied a decline in oil prices and a hefty profits downgrade in BP by Strauss Turnbull, one of the market's big bears of the oil sector.

Mr John Toalster, oil sector guru at Strauss, cut his current year net income forecast for BP from £960m to £700m and said the group may well struggle to achieve this figure.

He estimated that BP's first-quarter income, due to be announced on May 9, would show a loss of £125m. Mr Toalster said BP would be hard pressed to pay a forecast increase of 4.8 per cent in its final dividend this year.

Some big selling, much of it by Strauss clients, left BP 4½ off at 349½p on turnover of 7.6m shares. Shell, where turnover was a more sedate 4.1m, settled 3 easier at 521p.

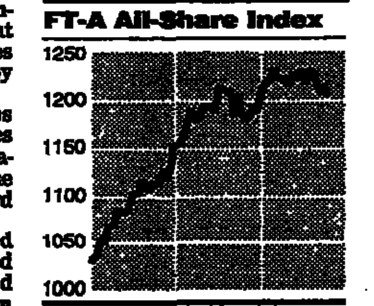
In a quiet property sector, Brixton Estates climbed 13 to 174p after publishing results at the top end of analysts' expectations. Full year profits were more than 15 per cent better at £23.6m and traders were impressed by the published net asset value and the dividend increase.

Traders said a cross of 450,000 Percy Bilton shares took place at 404p. It left the stock 14 down at 394p.

The current series of presentations by Rank Organisation to brokers generated yet another change of forecast. Hoare Govett trimmed its profits prediction for 1991 from £318m to £305m. The stock lost 19 to 727p in good volume.

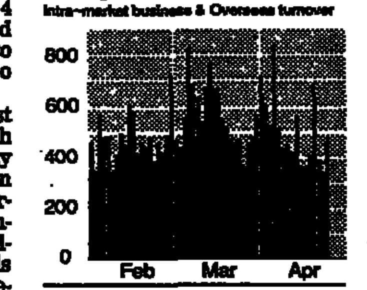
■ Other Market statistics, including the FT-Actuaries share index, Page 26

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (128).
BRITISH FUNDS (1) Treas. 2pc I-L '92, AMERICANS (13) Abbott Labs., Am. Cyanamid, Am. Express, BankAmerica, Dana, Eaton, Ingersoll-Rand, Lockheed, Pennzoil, Rep. NY, Rockwell, Texaco, Whirlpool, CANADIANS (2) Gulf Canada, Imperial Oil, BANKS (11) ANZ, Brown Shipley, Dai Ichi, Kyowa, Mitsui Taiyo Kobe, Mitsui Tst & Bnkg., Nat. Aust., Sumitomo, Toyo Tst. & Bnkg., Westpac, Yasuda Tst. & Bnkg., BREWERS (3) Anheuser-Busch, Greene King, Seagram, BUILDINGS (3) Allen, Boot (H), Ruskel, CHEMICALS (3) BASF, Bayer, Thurgar Barden, STORES (8) Alexon, Ashley (Laura), Cantors A, Coles Myer, Etam, Heritage, Shani, Sherwood, ELECTRICALS (11) Admiral, CML Micro., Domino Printing, Farnell Elect., Fujitsu, Hewlett-Packard, Learmonth & Burchett, Nthn. Telecom, Renishaw, Vistec, Wholesale Fittings, ELECTRICITY (1) Eastern, FOODS (5) Dalepak Foods, Farepak, IAWS A, Nestle, Nichols (Vimto), Northern Foods, INDUSTRIALS (24) Betterware, Bluebird Toys, Brierley Invs., China Light, Cowan de Groot, Dolphin Pack., Dover, Elan, Faber Prest, Fletcher Challenge, Greenacre, Handley-Walker, Intereurope, MY, Nobo, Pacific Dunlop, Pat'son. Zoch., Do. A, Sanders & Sidney, Securicor A, Security Servs., Sheldon Jones, Sinclair (Wm), Stocklake, INSURANCE (2) PBD, Utd. Friendly B, LEISURE (3) Campari, Ex Lands, Scot. TV, MOTORS (1) Vardy (Reg), NEWSPAPERS (1) News Corp., PAPERS (4) Abbott Mead V., Stat-Plus, TMD Advtg., Waddington (J), PROPERTY (2) Cap. & Counties 6¼pc Pf., Regalian, SOUTH AFRICANS (3) Barlow Rand, OK Bazaars, SA Brews., TEXTILES (3) Leeds, Parkland A, Yorklyde, TRUSTS (17) Acorn, Biotech Pf., Castle Cairn, Cons. Venture, Gartmore Amer., Invesco MIM '95-2000, New Zealand, Portugal Fd. Pf., SPLIT Inc., Scot. & Merc. A, Scot. Cities, Do. A, Scot & Merc., Siam Fd. Pf., Siam Select Growth, Tor, Westpool, OILS (4) Chevron, Exxon, Total-Cie B, Woodside, MINES (9) Anglo Amer., Anglo Amer. Coal, CRA, Cons. Murchison, De Beers Linked Units, Delta Gold, Gold Fields S.A., Normandy Res., Rand Mines.
NEW LOWS (22).
AMERICANS (1) Pacific Agric., BUILDINGS (1) Dunton, ELECTRICALS (3) Hillstone, Sema, Synapse Comp., INDUSTRIALS (3) Beaverco, Hartons, Ibex, INSURANCE (1) Durham (D.G.), LEISURE (1) Tomorrows Leis., PROPERTY (1) Trafford Park, TRUSTS (6) Baillie Gifford Tech., Close Bros., Drayton Eng. & Intl., Do. Wrrnts., Independent Wrrnts., OILS (2) Clyde Petm., Sovereign, PLANTATIONS (1) Williamson, MINES (4) ACM Gold, Pancont'l., Plateau Mining, Winkelhaak.

FINANCIAL TIMES STOCK INDICES

	Apr 25	Apr 24	Apr 23	Apr 22	Apr 19	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ordinary Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ord. Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Earning Yld % (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio (net)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
SEAQ Bargains 4.45pm	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Equity Turnover (£m)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Equity Bargains	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Shares Traded (ml)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				

Ordinary Share Index, Hourly changes [illegible]

FT-SE 100, Hourly changes [illegible]

FT-SE Eurotrack 200, Hourly changes [illegible]

GILT EDGED ACTIVITY

Indices	Apr 23	Apr 22
Gilt Edged Bargains	89.2	93.3
5-Day average	90.4	90.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
Burton	2,000	97½	−½
Cable & Wire.	2,000	548	+5
Cadbury	8,700	370	−10
Calor Group	649	[illegible]	
Carlton Comms.	429	446	
Coats Viyella	2,400	146	+5
Comm. Union	834	619	−2
Coalite	279	128	−4
Courtaulds	1,200	389	−1
Legal & General	1,700	438	−13
Lloyds Abbey	782	428	−6
Lloyds Bank	1,900	540	−1
LASMO	679	381	−5
London Elect.	461	198	
Lonrho	1,100	205	−2
Lucas	834	161	−1
MB Caradon	1,000	238	
MEPC	700	503	+3
Sainsbury	2,400	382	−4
Scottish & New.	1,500	372	
Sears	2,300	95½	−½
Sedgwick	8,000	281	−8
Seeboard	94	189	−1
Severn Trent Water	1,300	223	−7
Shell Transport	4,100	520	−2½
Siebe	489	427	−1
Whitbread 'A'	624	409	−2
Wiggins Teape	704	228	+1
Williams Hldgs.	1,500	282	
Wolseley	1,200	311	−3
Wimpey	1,000	211	−1
Yorkshire Elect.	588	215	−1
Yorkshire Water	1,100	309	−2

Remaining entries [illegible].

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures slipped lower yesterday on fears of a major rights issue and nervousness ahead of the ICI quarterly results due today.

For most of the session, the June FT-SE 100 index traded below the level which brokers calculate is necessary to take account of future dividend payments and financing cost.

The June FT-SE closed at 2,514, down 13 points on the day but just 27 points above the spot index, compared with brokers' estimate of a 30-point fair value premium.

During the early part of the session, the futures market provided some support to the underlying market. Later in the day, the fears of a rights issue unnerved dealers and prices were marked lower.

In the traded options market, Hoare Govett announced it had withdrawn from market making. At its peak, Hoare had more than 12 marketmakers but yesterday just three were left to be made redundant. Hoare will continue to broke options to institutions.

Overall turnover on the options market remained depressed, with just 24,499 contracts traded, barely changed on the day and below the level necessary for the market to cover its costs.

Marks and Spencer was the busiest option, 1,506 changing hands as the shares receded. GrandMet traded 1,449 and British Airways 1,248.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.03	11.37
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.01	11.23
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]		8.15	11.09
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]		12.59	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]		10.08	[illegible]
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]		8.21	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.53	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]		3.19	[illegible]
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.02	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.04	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.57	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.08	10.43
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	12.03	10.47
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]		6.45	9.26
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.81	10.46
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]		8.90	10.39
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]		13.17	10.30
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]		12.51	10.36
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]		10.08	10.30
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]		11.81	10.38
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]		9.36	10.31
[illegible]	[illegible]	Treas 12pc 1995	[illegible]		11.42	10.41
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]		3.49	7.33
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.26	10.32
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.74	10.32
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	12.47	10.61
[illegible]	[illegible]	Treas. 9pc 1992-96‡‡	[illegible]	[illegible]	9.34	9.94
Five to Fifteen Years						
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	12.92	10.53
[illegible]	[illegible]	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	11.98	10.48
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	10.13	10.31
[illegible]	[illegible]	Do. 10pc 1996 B	[illegible]			
[illegible]	[illegible]	Treas 13¼pc 1997‡‡	[illegible]	[illegible]	11.86	10.46
[illegible]	[illegible]	Exch 10½pc 1997	[illegible]	[illegible]	10.42	10.31
[illegible]	[illegible]	Treas 8¾pc 1997‡‡	[illegible]		9.40	10.25
[illegible]	[illegible]	Exch 15pc 1997	[illegible]		12.49	10.63
[illegible]	[illegible]	Exch. 9¾pc 1998	[illegible]	[illegible]	10.02	10.31
[illegible]	[illegible]	Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	7.92	9.79
[illegible]	[illegible]	Treas. 15½pc '98‡‡	[illegible]		12.36	10.49
[illegible]	[illegible]	Exch. 12pc 1998	[illegible]		11.10	10.42
[illegible]	[illegible]	Treas 9½pc 1999‡‡	[illegible]	[illegible]	9.84	10.16
[illegible]	[illegible]	Exch. 12¼pc 1999	[illegible]		11.17	10.41
[illegible]	[illegible]	Treas. 10½pc 1999	[illegible]	[illegible]	10.38	10.29
[illegible]	[illegible]	Conversion 10¼pc 1999	[illegible]	[illegible]	10.29	10.32
[illegible]	[illegible]	Conversion 9pc 2000‡‡	[illegible]	[illegible]	9.62	10.12
[illegible]	[illegible]	Treas. 13pc 2000	[illegible]		11.34	10.48
[illegible]	[illegible]	Do. 13pc 2000 A	[illegible]		11.35	10.47
[illegible]	[illegible]	Treas 10pc 2001	[illegible]		10.14	10.21
[illegible]	[illegible]	Treas. 14pc '98-01	[illegible]	[illegible]	12.01	10.60

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 9¾pc 2002	[illegible]		10.04	10.23
[illegible]	[illegible]	Treas 10pc 2003	[illegible]		10.14	10.19
[illegible]	102	Treas. 11½pc 2001-04	[illegible]	[illegible]	10.80	10.43
[illegible]	[illegible]	Funding 3½pc '99-04	[illegible]	[illegible]	6.05	9.05
[illegible]	[illegible]	Conversion 9½pc 2004	[illegible]	[illegible]	9.96	10.14
[illegible]	[illegible]	Conversion 9½pc 2005	[illegible]	[illegible]	9.95	10.12
Remaining rows [illegible]						
[illegible]	[illegible]	Treas. 9pc 2008 ‡‡	[illegible]			
[illegible]	[illegible]	Do. 9pc 2008 C	[illegible]			
[illegible]	80	Treas 8pc 2009	[illegible]			
[illegible]	[illegible]	Conv 9pc Ln 2011 ‡‡	[illegible]			
[illegible]	[illegible]	Treas. 5½pc 2008-12‡‡	[illegible]			
[illegible]	[illegible]	Treas. 7¾pc 2012-15‡‡	[illegible]			
[illegible]	[illegible]	Exch. 12pc '13-'17	[illegible]			
Undated						
[illegible]	[illegible]	Consols 4pc	[illegible]			
[illegible]	[illegible]	War Loan 3½pc‡‡	[illegible]			
[illegible]	[illegible]	Conv. 3½pc '61 Aft	[illegible]			
[illegible]	[illegible]	Treas. 3pc '66 Aft	[illegible]			
[illegible]	[illegible]	Consols 2½pc	[illegible]			
[illegible]	[illegible]	Treas. 2½pc	[illegible]			
Index-Linked (b)						
[illegible]	[illegible]	Tr. 2pc '92‡‡	(97.8)			
[illegible]	[illegible]	Do. 2 '94	(102.9)			
[illegible]	[illegible]	Do. 2pc '96	(67.9)			
[illegible]	137	Do 2½pc '01	(78.3)			
[illegible]	[illegible]	Do. 2½pc '03	(78.8)			
[illegible]	[illegible]	Do. 2pc '06	(69.5)			
[illegible]	[illegible]	Do. 2½pc '09	(78.8)			
[illegible]	[illegible]	Do. 2½pc '11	(74.6)			
[illegible]	[illegible]	Do. 2½pc '13	(89.2)			
[illegible]	[illegible]	Do. 2½pc '16	(81.6)			
[illegible]	[illegible]	Do. 2½pc '20	(83.0)			
[illegible]	[illegible]	Do. 2½pc '24‡‡	(97.7)			

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1990: 128.1 and for March 1991: 131.4.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	95¾	African Dv Bk 11¼Ln 2010	100⅞		11.06	11.04
97⅞	91⅞	Asian Dev Bk 10¼pcLn2009	96¼	+¼	10.65	10.72
112⅞	105⅞	Int-Am Dev Bk 12½pc 2003	110⅞	+⅛	11.31	10.88
92⅞	86⅞	Do. 9¾pcLn 2015	91⅞	+⅛	10.68	10.77
117	101	Bd. Mexican States 16½pc 2008	117		14 10	13.87

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies [illegible]

Public Board and Ind. [illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

PUBLIC WORKS LOAN BOARD RATES

Effective April 24

Years	Quota loans* EPt	Quota loans* Att	Quota loans* at maturity§
1			11⅜
Over 1 up to 2	11⅜	11¼	11
Over 2 up to 3	11⅛	11⅛	10⅞
Over 3 up to 4	11	11	10⅞
Over 4 up to 5	10⅞	10⅞	11
Over 5 up to 6	10⅞	10⅞	11
Over 6 up to 7	10⅞	10⅞	11⅛
Over 7 up to 8	10⅞	11	11⅛
Over 8 up to 9	11	11	11¼
Over 9 up to 10	11	11⅛	11¼
Over 10 up to 15	11⅛	11¼	11¼
Over 15 up to 25	11¼	11⅛	11⅛
Over 25	11⅛	11	11

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

APPOINTMENTS

Promotions at Sanwa Bank

■ THE SANWA BANK, London, has made the following promotions: to joint general manager - Mr Stuart Harland who remains head, special finance department; to deputy general manager - Mr Alan Hosier who remains head, aerospace finance division, and Mr John Watkins who remains head, project finance division; to assistant general manager - Mr Patrick Timms who remains joint head, capital markets group, and Mr John Parker who remains head, personnel department.

■ Mr Bill Govett has been appointed director of THE NORTH BRITISH CANADIAN INVESTMENT COMPANY. He is a director of 3i Group, Legal & General Group, Lep Group, and a number of other companies including The Scottish Eastern Investment Trust.

■ Mr Andrew Marshall, a director of MARSHALLS, has been appointed deputy chairman, and will become chairman following the annual meeting in July, when he succeeds his brother Mr David Marshall who is retiring.

■ SALE TILNEY has appointed Mr Roger Begy to head Peabody Foods, its UK food operation. He was deputy managing director of Bristar, food and ingredient division of Berisford International.

■ Mr Jim Fifield, president and chief executive officer of EMI Music, New York, and an executive director of Thorn-EMI, has become the third representative of Thorn-EMI on the THAMES TELEVISION board. This follows Thorn-EMI's acquisition of a controlling stake in the company.

■ DOWDING & MILLS has appointed to the main board overseas managing directors Mr Hendrik Hammendorp, responsible for European operations, and Mr Ian Dickson, who heads the Australian companies.

■ BRITDOC, part of the commercial services division of Hays, has appointed Mr Tony Waring as sales and marketing director. He was director of marketing for Hoechst subsidiary Kalle Infotec.

■ Mr Robert Bywater has joined MAGNET as its first customer services director. He was managing director of Maxwell Communications Purnell distribution centre, Bristol.

■ THE 600 GROUP has appointed Mr Keith Hancox as group executive responsible for the Australasian and Far Eastern companies, and in the UK for GCM 600 (of which he was managing director) and GCS (Steels). Mr S.G. Fitton, deputy managing director, succeeds Mr Hancox at GCM 600 as managing director. Mr A.R. Sweeten has been made managing director of the new 600 lathe division, retaining his post as managing director of T.S. Harrison & Sons. He is also appointed deputy chairman of The Colchester Lathe Co.

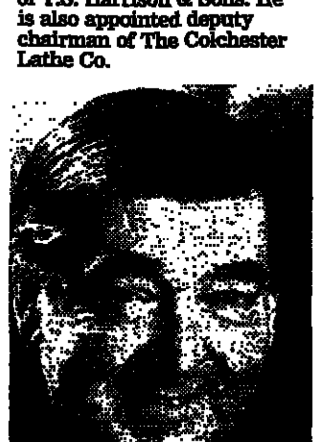


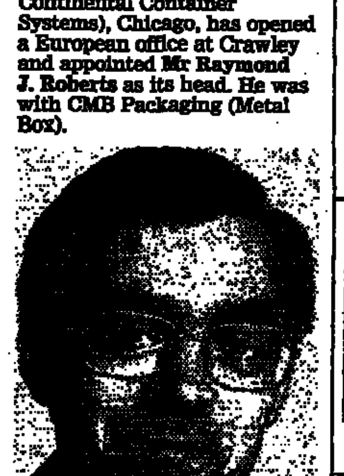
ABB ROBOTICS, Milton Keynes, has appointed Mr Walter Lamb *(pictured)* as managing director. He was sales and marketing director. The company is part of Asea Brown Boveri.

■ Mr Kevin Buckthorpe has been appointed managing director of PHH RELOCATION AND PROPERTY SERVICES, Swindon. He was managing director of PHH Asset Management, a post he will retain. He also joins the PHH European board.

■ Mr John Jameson has been promoted from general sales manager to sales director at BRITANNIA LIFT, Sheerness. Mr Robert Steele has joined the company in the new post of technical manager.

■ PETER BROTHERHOOD, Peterborough, has appointed Mr Ivor Ablitt as sales and marketing director. He joined the company in 1980.

■ CLOSTECH INTERNATIONAL (formerly Continental Container Systems), Chicago, has opened a European office at Crawley and appointed Mr Raymond J. Roberts as its head. He was with CMB Packaging (Metal Box).



Mr Graham Hockings *(pictured)* has been made appointed actuary of NEL PERMANENT HEALTH INSURANCES, in addition to his post as finance director.

BANCO DI ROMA (the "Bank")
(Incorporated as a Societa per Azioni in the Republic of Italy)
£75,000,000
9 ⁵/₁₆% Fixed Rate/Floating Rate Depositary Receipts due 1993
(the "Depositary Receipts")
Issued by The Law Debenture Trust Corporation p.l.c. evidencing entitlement to payment of principal and interest on deposits with Banco di Roma, London branch.

On 8th March, 1991 notice was given to the holders of the Depositary Receipts that:
(i) in accordance with Condition 4(b) of the Depositary Receipts the Bank will, at the option of the Depositary Trustee redeem all or some of the Deposits to which the Receipts relate on 13th June, 1991.
(ii) in accordance with Condition 3(c) of the Depositary Receipts, with effect from 13th June 1991 interest on the Deposits will be payable semi annually in arrear at a rate equal to six months Sterling Libor plus 0.10 per cent. ("the Margin") except that the Bank may give not less than 22 nor more than 60 days notice prior to 13th June 1991 that the margin will be such rate as it may determine.

Notice is hereby given that, in accordance with Condition 3(c) of the Depositary Receipts, the Bank has determined that the Margin will be increased from 0.10 to 0.1675 per cent per annum.

Banco di Roma S.p.A.
acting through its London Branch
dated 26th April, 1991

هكذا من الاصل

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30	20¾	Abbott Laboratories	30	+	$1.00	–	1.9
363p	257p	Allegheny & W 1c	292p	–3	30c	–	6.1
972p	667p	Amdahl 5c	940p	–13	10c	–	0.6
34	25	Amer. Cyanamid $5	34	+	$1.50	–	2.6
17	9	Amer. Express 60c	17	+1	92c	–	3.1
21	15	American T. & T. $1	21	–	$1.32	–	3.7
38	32	Ameritech $1	38	–	$3.16	–	4.9
273p	167p	Ascamerica Equities	263p	+4	–	–	–
22	12	BankAmerica $1.3	22	+	$1.20	–	3.2
28	20	Bankers N.Y. $1	28	–	$1.52	–	10.2
29	24	Bell Atlantic $1	28	–	$2.36	–	4.9
31	25	BellSouth Corp.	30	–	$2.68	–	5.2
8	6	Bethlehem Steel $8	8	–	40c	–	2.9
1536p	1046p	Bowater Inc.	1520p	–16	$1.20	–	4.7
8	4	Brunswick 75c	8	–	44c	–	3.2
50	37	CPC Intnl. 25c	49	–	$2.00	–	2.4
839p	420p	California Engy	839p		–	–	–
49	28	Campbell Soup 15c	49	–	$1.16	–	1.4
11	5	Chase Manhattan $12½	11	+	$1.20	–	6.3
8	5	Chrysler $6¼	8		60c	–	4.4
9	5	Citicorp $1	9	+	$1.00	–	6.4
48	34	Colgate-Palmolive $1	47	–	$2.12	–	2.6
805p	438p	Cont'l Bank Corp $4	805p		$1.00	–	7.3
85p	45p	Corporate Data Scnce.	85p		–	–	–
18	13	Dana Corp. $1	18	+	$1.60	–	5.2
975p	203p	Data General	975p	+50	–	–	–
28	20	Dun & Bradstreet $1	28		$2.16	–	4.6
34	24	Eaton Corpn. 50c	34	+	$2.20	–	–
7	5	Echlin Inc.	6		70c	–	6.1
17	14	FPL Group 1c	17	–	$2.36	–	7.9
28	17	Fluor Corp 62½c	28	–	32c	–	0.7
19	13	Ford Motor $1	19	+	$1.60	–	3.0
43	28	Gen. Elect. 63c	42	–	$2.04	–	2.8
439p	270p	General Host Corp $1	390p	–25	34c	–	5.3
45	29	Gillette $1	41	–	$1.24	–	1.8
91p	35p	Gt. American Bank $1	34p	–5	–	–	–
20	12	Greyhound Dial $1½	20	–2	$1.32	–	4.1

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	155	Airtours 10p	399	......	8.25	3.1	2.8	15.7
[illegible]	73	Allied Leis. 5p	102	......	4.75	3.5	6.4	7.0
[illegible]	185	Anglia TV	195	–1	9.26	♦	6.3	♦
[illegible]	16	Avesco 1p	26	......	1.5	3.9	7.7	3.5
9	4½	BBCE Hldgs 5p	5½	......	–	–	–	–
173	123	Barr & W.A.T. 'A'	168	......	9.75	1.6	8.1	10.4
685	425	Boosey & Hawkes	670	–10	16.4	2.7	3.3	13.4
[illegible]	24	Border T.V.	39	–½	2.1	1.1	7.2	15.5
88	45½	Brent Walker 10p	64	–2	15.0	6.9	–	1.5
29	17	Do 6pc Cv Cm Rd Pf £1	22	+1	6.0	–	36.4	–
55	43	Buckingham Int'l. 10p	49	......	2.1	♦	5.7	♦
335	183	Campari Int. 20p	335	+22	11.0	2.9	4.4	9.2
208	134	Capital Radio 2½p	205	......	5.25	2.9	3.4	13.3
509	350	Carlton Comms 5p	448	......	14.1	2.9	4.2	10.7
81	61	Do. 6.3p Prf 5p	75	–1	6.5	–	11.0	–
253	168	Castle Comms. 5p	243	......	8.5	1.7	4.7	16.3
575	480	Central ITV	569	–1	28.5	2.6	6.7	7.6
142	120	Chiltern Radio 10p	138	......	4.8	2.6	4.7	10.6
89	39	Chrysalis	79	–1	s2.0	–	3.7	–
69	39½	Cityvision 5p	52	......	1.0	7.0	2.5	6.9
5½	3	Classic Th'tres f0.20	5½	......	–	–	–	–
468	361	Compass Group 5p	435	–10	10.35	2.8	3.2	15.1
1210	908	Euro Disney Fr10	1178	–3	–	–	–	–
30	13	European Leis. 1/25p	21	–2	1.7	2.2	11.1	3.4
37	22	Ex Lands 10p	37	+1	–	–	–	–
47	21½	Expedier 20p	41	......	20.5	–	1.6	9.1
563	405	Fairline Boats 10p	555	......	21.0	4.7	5.0	6.4
276	188	First Leisure	266	......	5.05	2.7	2.5	18.1
253	195	GWR Group 20p	237	–1	6.0	3.1	3.4	12.4
75	68	Grampian TVA 10p	72	......	3.5	2.1	6.5	7.0
8	6	Greenwich Comm. 1p	7	......	–	–	–	–
63	36	HTV Ord	50	–1	3.75	–	10.0	♦
125	55	Hi-Tec Sports	125	......	4.5	2.1	4.8	10.4
4½	3	Int'l Media Comm. 1p	3½	......	–	–	–	–
49	30	Intl. Resort Hldgs	40	......	ta3.2	–	‡	3.4
75	49	Invicta Sound 10p	72	–½	1.0	–	1.9	22.7
50	22	Kunick 10p	44½	......	2.0	3	6.0	8.8
88	53	Do. 8¼ pc Pf. 5p	82	......	8.25	–	13.4	–
96	80	LWT (Hldgs) 5.95p Pf 5p	95	+1	t3.94	–	5.5	–
353	289	Marlon Dev. 50p	344	......	12.0	1.8	4.7	15.9
179	124	Metro Radio Grp 5p	178	......	5.0	3.0	3.7	12.0

PROPERTY

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
100	78	Allied London 10p	92	+3	3.53	0.8	5.2	(33.9)
95	75	Do. 5¼pc Cnv Rd Pf £1	89	......	5¼%	–	8.6	–
43	27	Anglo-Park Grp. 35p	28	......	t3.0	1.2	‡	(7.5)
90	80	Arcadian Intl	86	......	tt4.0	0.4	‡	–
106	66	Asda Property 20p	103	+1	1.85	♦	2.4	♦
85	60	Do 5¼pc Cm Pf £1	81	......	5¼%	–	8.4	–
32	18	BDA Hldgs. 10p	24	......	–	–	–	–
48	30	BHH Group 50p	46	......	1.0	–	2.9	–
68	45	Baker Hrrls Snds 10p	56	......	t4.5	0.7	‡	16.5
71	58	Barlows 10p	58	......	2.48	♦	5.9	♦
433	325	Bilton (Percy)	394	–14	17.44	♦	5.9	♦
68	51	Bolton Grp. 5p	64	......	–	–	–	–
85	48	Bourne End Prop.	50	......	2.0	♦	5.3	♦
150	115	Bradford Prop. 5p	144	......	t3.2	2.9	3.0	15.5
88	65	Bredero Props	73	......	2.4	2.7	4.4	9.2
94	57	Britannia Grp. 5p	73	......	3.0	1.2	5.5	20.2
330	255	British Land	292	+2	t5.25	1.8	2.4	30.7
£113	£104	Brit Land 8½pc Cv	£105	–1	Q8½%	–	8.2	–
188	151	Brixton Estate	174	+13	7.1	♦	5.6	♦
48	35	Burford Hldgs 1p	40½	+½	0.85	1.9	2.8	24.7
18	10	Cabra Ests.	14½	......	ta1.0	3.3	‡	3.3
366	290	Capital & Counties	366	......	13.2	1.8	4.8	14.9
95	77	Do 5¾ pc Prf £1	95	+1	5.75%	–	8.1	–
135	110	Cap.& Reg. Prop.	128	......	0.9	♦	0.9	♦
325	275	Cardiff Prop 20p	288	......	2.4	2.5	1.1	46.1
640	475	Chesterfield	603	......	t17.6	2.0	3.9	16.2
95	70	Do. 5.25pc Cv Cm Pf £1	88	......	5.25	–	8.0	–
59	44	Christie Grp 2p	59	......	t2.8	1.3	‡	15.7
160	105	City Site Estates	135	–5	1.92	–	1.9	–
60	27	Clarke Nickolls	60	......	0.75	♦	1.7	♦
92	47	Clayform Props 5p	58	–2	t10.0	3.3	‡	1.6
9	2	Do. Warrants	2	......	–	–	–	–
725	650	Compco Hldgs 20p	650	......	12.96	3.2	2.7	15.9
35½	23	Control Secs. 10p	24½	–½	t1.25	3.7	6.3	4.6
78	50	CountyGlen	63	......	–	–	–	–
113	75	Cousins Prop. Grp.	75	......	9.25	–	16.4	–
885	720	Daejan (Hldgs)	885	......	23.0	3.4	3.5	11.4
67	32	Danbury Grp 10p	55	......	L5.06	2.0	12.3	3.3
11½	3	Dares Estates 5p	5½	......	B‡1.5	1.0	‡	3.3
28	4	de Morgan Group 5p	6	+1	–	–	–	–
130	82	Debenham Tewson 5p	126	......	7.7	1.8	8.1	8.8

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUST

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F

Britannia Life Unit Managers Ltd (1200)F

Commercial Union Tst Mgrs—Contd.

Confederation Funds Mngt Ltd (1200)F

GT Unit Managers Ltd (1200)H

Gartmore Fund Managers (1200)F

Kleinwort Benson Unit Trusts—Contd.

Mayflower Management Co Ltd (1200)F

Medical Investments Ltd (1100)F

Mercury Fund Managers Ltd (1000)H

NM Unit Trust Mngrs—Contd.

National Provident Inv Mgrs Ltd (1400)H

Save & Prosper Group—Contd.

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X CH99 9DS 0244 680066

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	111.7	112.1	119.8	-0.4	3.15
Do Accum	5½	118.1	118.5	126.7	-0.3	3.15
UK Sel P'folio	5½	99.49	100.5	107.4	-0.6	4.31
Do Accum	5½	104.1	105.1	112.3	-0.6	4.31

Marlborough Fund Managers Ltd (1430)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	48.07	48.36	51.44	—	5.10

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	102.3	103.8	110.1	+1.2	1.04
Income & Growth	5¼	62.91	62.91	66.78	+0.1	4.74
European (z)	5¼	54.81	54.81	58.18	+0.46	1.16
Nth American (z)	5¼	38.99	38.99	41.39	-0.49	1.27
Intl Growth	5¼	66.39	67.78xd	71.95	-0.06	0.72
UK Growth	5¼	56.14	56.14	59.59	-0.05	1.95
Intl Income	5¼	48.18	48.70xd	51.69	-0.02	7.05
High Yield	5¼	45.75	46.42xd	49.27	+0.13	7.37
Charities	5¼	92.69	94.02	99.80	+0.17	5.49
Japan	5¼	42.98	42.58xd	45.20	-0.34	—

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	67.73	69.05xd	73.05	-0.16	3.34
UK High Income	6	34.58	35.02xd	37.45	-0.38	5.39

Murray Johnstone UT Mngmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	69.28	69.75xd	74.44	-0.08	3.04
Acumen Reserve	3	63.18	63.18xd	65.06	+0.10	11.71
American Income	5	126.92	127.0	134.5	-1.30	3.29
Equity Income	5	84.38	84.38xd	90.06	-0.30	5.94
European	5	53.39	53.39	56.98	+0.20	1.53
Far Eastern	5	110.86	111.5	118.8	-0.40	1.51
Smaller Cos	5	45.71	45.71	48.79	+0.07	3.25
Olympiad	5¼	46.37	46.37	49.49	-0.27	0.99
Olympiad Income	5¼	43.67	43.67	46.58	-0.11	4.79
UK Growth	5	71.87	72.47xd	77.35	+0.64	1.75

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Avon Equity	6	91.32	92.79	98.71	-0.65	3.80

NM Unit Trust Mngrs (1200)H
The Hilsea Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	32.69	32.69	34.86	-0.43	1.46
(Accum Units) ♥	5¼	34.99	34.99	37.32	-0.46	1.46
Australian ♥	5¼	182.70	183.70	197.10	-0.60	2.79
(Accum Units) ♥	5¼	205.80	207.00	222.00	-0.60	2.79
Conscience	5¼	51.77	52.69	56.23	-0.03	1.39
(Accum Units)	5¼	34.29	35.26	58.97	-0.03	1.39
European	5¼	141.00	142.70xd	152.20	+0.30	1.02
(Accum Units)	5¼	149.60	151.40	161.40	+0.20	1.02
Extra Income	5¼	65.74	66.59xd	71.05	-0.37	8.60
(Accum Units)	5¼	89.36	90.49	96.57	-0.51	8.60
Far East Gth Acc	5¼	117.00	118.70xd	126.80	—	0.25
Gilt & F.I.	5¼	51.07	51.07	54.06	+0.05	9.27
(Accum Units)	5¼	107.50	107.50	113.70	+0.10	9.27

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 — 379 — 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs

Swiss Life Unit Tst Man Co Ltd (1200)F

Admin: 1 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Equity Dist	6½	421.7	433.2	458.4	-2.9	3.44
Equity Acc	6½	586.9	602.9	638.0	-4.0	3.44
Fixed Int Dist	6½	113.7	116.9	121.1	...	8.37
Fixed Int Acc	6½	241.8	248.7	257.7	+0.1	8.37
UK Indx Track Dist	6	97.91	99.70	105.5	-0.7	4.08
UK Indx Track Acc	6	102.4	104.2	110.3	-0.7	4.08

TSB Unit Trusts (1200)H

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

TSB American	6	138.9	139.91	148.83	-1.02	0.25
Do Accum	6	151.83	152.93	162.69	-1.11	0.25
TSB Intl Growth	6	73.0	74.08xd	78.8	-0.43	3.12
Do Accum	6	81.77	82.98xd	88.27	-0.47	3.12
TSB European	6	74.17	74.58	79.39	+0.54	0.9
Do Accum	6	76.87	77.28	82.21	+0.56	0.9
TSB Extra Income	6	163.1	163.1	173.51	-0.91	5.25
Do Accum	6	235.19	235.19	250.2	-1.31	5.25
TSB Smaller Cos	6	45.11	46.68xd	49.65	-0.1	2.29
Do Accum	6	47.73	49.39xd	52.54	-0.11	2.29
TSB General	6	226.49	226.49	240.94	-1.29	3.44
Do Accum	6	422.6	422.6	449.57	-2.39	3.44
TSB Premier Income	5	43.41	43.99xd	45.83	-0.02	8.47
Do Accum	5	79.58	80.64xd	84.02	-0.03	8.47
TSB Income	6	303.71	308.91	328.62	-2.32	4.96
Do Accum	6	564.6	574.25	610.9	-4.33	4.96
TSB Pacific	6	238.96	238.96	254.21	-0.16	0.38
Do Accum	6	248.64	248.64	264.51	-0.17	0.38
TSB International	6	400.18	400.18xd	425.72	-0.8	0.8
Do Accum	6	516.08	516.08xd	549.02	-1.02	0.8
TSB Nat Resources	6	65.58	65.58xd	69.76	-0.3	0.57
Do Accum	6	71.44	71.44xd	76.0	-0.3	0.57
TSB Spcial Opps	6	79.08	79.08xd	84.12	-1.44	3.07
Do Accum	6	95.27	95.27xd	101.35	-2	3.07
Environmental Inv	6	47.06	47.06	50.06	-0.17	1.87
Do Accum	6	48.56	48.56	51.65	-0.17	1.87
TSB Selector	6	48.03	48.81xd	51.92	-0.2	3.84
Do Accum	6	50.16	50.97	54.22	-0.21	3.84
TSB High Income	6	51.13	52.11	55.43	-0.24	7.01
Do Accum	6	52.49	53.49	56.9	-0.25	7.01
TSB Intl Income	6	49.94	50.17	53.37	-0.07	6.82
Do Accum	6	51.99	52.23	55.56	-0.07	6.82
TSB Selector Income	6	49.77	50.37	53.58	+0.04	6.16
Do Accum	6	50.99	51.6	54.89	+0.04	6.16

Target Trust Mngrs Ltd (1600)F

	Bid Price	Offer Price	+ or -	Yield Gross

M & G Securities Ltd

Charibond	101.78	101.78	+0.2	10.59
(Accum Units)	554.29	554.29	+0.6	10.59
NAACIF Apr 23		43.20	-0.04	9.49

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

UK Equity † Apr 23	128.6	137.5	----	2.84
UK Small Co † Apr 23	521.7	562.7	----	1.90
Fixed Interest † Apr 23	109.3	114.9	----	7.74
US Small Co Apr 23	156.4	167.2	----	0.00
Managed Apr 23	108.1	114.9	----	1.29
Intl Bond Apr 23	113.9	120.1	----	7.61
Japan Apr 23	77.58	82.96	----	0.81
European Apr 23	85.10	91.09	----	1.62
Nth American Apr 23	109.5	117.7	----	1.19

Murray Johnstone UT Mngmt

Murray Exempt Funds

Amer Expt Apr 24	52.48	54.58	+3.12	2.46
Euro Expt Apr 24	50.58	53.11	-0.06	2.10
Fixed Int Ex Apr 24	45.67	47.82	-0.07	10.27
Japan Expt Apr 24	48.18	50.10	+0.43	0.54
Managed Expt Apr 18	45.29	47.11xd	----	4.33
SE Asia Expt Apr 24	71.67	75.25xd	+2.88	3.71
Sm Cos Expt Apr 24	34.31	36.03	+0.64	4.77
UK Eqty Expt Apr 24	42.50	44.62	-0.34	3.70

Phillips & Drew Fund Management Ltd

Small Co Apr 2	707.1	752.0xd	----	4.5
Do Accum	798.8	849.4	----	4.5
Int. Expt Apr 17	173.9	177.3xd	----	2.55
UK Index Apr 2	1160.8	1185.0xd	----	4.9
Do Accum	1249.0	1275.0	----	4.9
Convertible Apr 17	94.49	97.67xd	----	7.81
World Ex Index Apr 22	808.8	828.8	----	1.86
Do Accum	808.8	828.8	----	1.86
Japan Index Apr 22	639.8	648.6	----	0.58
Do Accum	641.4	650.1	----	0.58
USA Index Apr 22	1018	1024	----	3.12
Do Accum	1044	1049	----	3.12
Europe ex UK Index Apr 22	870.6	890.6	----	2.64
Do Accum	890.4	910.7	----	2.64
Pacific ex Jap Index Apr 22	955.3	981.7	----	4.36
Do Accum	990.9	1018	----	4.36
Mngd Exempt Apr 17	105.8	107.6	----	5.68
Amer Exempt Apr 17	150.6	153.0xd	----	3.25

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

CMI Insurance Co Ltd

Eagle Star Int'l Financial Services

Equitable Life (International)

Equity & Law Int'l Life Assce

Eurolife Assurance Group

Finsbury Life Assurance Co Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Attlee Investment Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

James Capel Financial Services

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management

Fairmount Gilts Fund Mgrs Ltd

Gartmore Fund Managers Ltd

IFS Lomond PLC

Independent Financial Group PLC

Kleinwort Benson

Knight Williams & Company Ltd

Norton Ringo & Partners

Perpetual Financial Services Ltd

Sharp (Albert E.) & Co.

Tattersall Investment Mgmt.

Towry Law & Co

J. D. Ward Financial Services Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Jan World Fixed Income Fund

M & G (Guernsey) Ltd

Pratic International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Investment Management (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mgt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Management (Guernsey) Ltd

Fleet-Central Fund Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Old Capital Mngt (Guernsey) Ltd

Old International (Guernsey) Ltd

Stirling Fund Mngrs Ltd

هذا من الأصل

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up despite intervention

THE DOLLAR rallied yesterday despite a second day of co-ordinated intervention by European central banks. Demand for the US currency increased as the market continued to take an unfavourable view of the D-Mark. Other European currencies, such as sterling, did not provide any great attraction, but the yen was relatively steady.

The German Bundesbank led co-ordinated intervention by European central banks, selling the dollar at around DM1.7450, but failing to hold it below DM1.7500 at the end of the day. By the time trading closed in Europe there was no sign of the US Federal Reserve joining the action of other central banks. The Bank of Japan has also stayed out of the market so far this week, reflecting the better performance of the yen, in comparison with European currencies.

There was no important US economic news yesterday, leaving the market to wait for tomorrow's data on US gross national product, and for any official reaction to the dollar's recent advance from this weekend's Washington meeting of ministers from the Group of Seven leading industrial nations.

US GNP figures for the first quarter are expected to be weaker than the 1990 fourth quarter fall of 1.6 per cent. Economists are looking for a fall of about 2.5 per cent, amid suggestions that this may mark a low point in the current recession. The figures will be closely analysed for signs of economic recovery and, therefore, could have a significant impact on the dollar.

At the same time there is likely to be caution ahead of the G7 meeting for fear of moves aimed at preventing another upward surge by the dollar.

At last night's close in London the dollar rose to DM1.7535 from DM1.7420; to Y138.05 from Y137.90; to SFr1.4715 from SFr1.4590; and to FFr5.9125 from FFr5.8750. Its index was unchanged at 66.5.

The D-Mark continued its recent decline against the Japanese yen, falling in London to Y78.70 from Y79.15. Concern about the economic situation in Germany, following unification, and political unrest in the Soviet Union weighed on the German currency, keeping it among the weaker members of the European exchange rate mechanism.

Sterling weakened in the ERM, but remained the third strongest currency, behind the Spanish peseta and Italian lira. The pound lost 1.70 cents to $1.6945. It also fell to DM2.9725 from DM2.9825; to FFr10.0175 from FFr10.0550; to SFr2.4925 from SFr2.4975; and to Y234.00 from Y236.00. Sterling's index shed 0.5 to 91.2.

The French franc, weakest member of the ERM, was little moved by news that France's trade deficit in March rose to FFr4.70bn from FFr3.48bn in February.

● In the FT Guide to World Currencies table on Tuesday, the exchange rate for the Italian lira should have been: sterling 2206.50, US dollar 1303.69, D-Mark 737.96 and yen 934.958

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 24	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.143	-4.86	6.12	84
Italian Lira	1538.24	1524.35	-0.90	1.89	52
Sterling	0.696904	0.695209	-0.24	1.21	4
Belgian Franc	42.4032	42.4196	0.04	0.93	5
Dutch Guilder	2.31643	2.32364	0.31	0.65	-8
D-Mark	2.05586	2.06234	0.32	0.65	-11
Irish Punt	0.767417	0.771102	0.48	0.48	-15
Danish Krone	7.84195	7.88001	0.49	0.48	-15
French Franc	6.89509	6.96166	0.97	0.00	-45

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr 24	Latest	Previous Close
£ Spot	1.6940-1.6950	1.7125-1.7135
1 month	0.86-0.85pm	0.87-0.85pm
3 months	2.32-2.29pm	2.27-2.25pm
12 months	7.02-6.95pm	6.83-6.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Apr 24	Previous
8.30	am	91.6	91.6
9.00	am	91.5	91.5
10.00	am	91.6	91.5
11.00	am	91.4	91.6
Noon		91.4	91.6
1.00	pm	91.3	91.6

POUND SPOT - FORWARD AGAINST THE POUND

Apr 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6940 - 1.7155	1.6940 - 1.6950	0.85-0.83cpm	5.95	2.33-2.30pm	5.46
Canada	1.9585 - 1.9765	1.9640 - 1.9650	0.43-0.34cpm	2.35	1.14-1.02pm	2.20
Netherlands	3.3370 - 3.3555	3.3425 - 3.3525	⅞-⅝cpm	2.91	2⅛-1⅞pm	2.39
Belgium	60.65 - 61.25	60.70 - 60.80	17-12cpm	2.86	43-35pm	2.57
Denmark	11.2600 - 11.3825	11.2850 - 11.2950	1¼-1⅛orepm	1.53	5-3⅞pm	1.57
Ireland	1.1095 - 1.1135	1.1120 - 1.1130	0.20-0.15pm	1.89	0.50-0.40pm	1.62
Germany	2.9630 - 2.9770	2.9700 - 2.9750	¾-⅝pfpm	2.78	1⅞-1⅝pm	2.44
Portugal	254.15 - 255.65	254.30 - 255.30	9-37cdis	-1.08	56-111dis	-1.31
Spain	182.15 - 183.50	182.85 - 183.15	24-32cdis	-1.84	63-78dis	-1.54
Italy	2185.75 - 2200.15	2190.50 - 2191.50	7pm-4liredis	0.82	16pm-5dis	1.00
Norway	11.4765 - 11.5750	11.4825 - 11.4925	2-1¼orepm	1.63	4¾-3½pm	1.44
France	9.9820 - 10.0490	10.0125 - 10.0225	2¼-2cpm	2.55	6-5¼pm	2.30

EURO-CURRENCY INTEREST RATES

	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11¾ - 11⅝	11¾ - 11⅝	11¾ - 11⅝	11⅝ - 11½	11⅝ - 11½	11½ - 11⅜
US Dollar	5⅞ - 5⅝	6⅛ - 5⅞	6¼ - 6	6⅜ - 6¼	6⅝ - 6⅜	6⅞ - 6⅝
Can. Dollar	9¼ - 9	9½ - 9¼	9⅜ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9½ - 9¼
Dutch Guilder	9¼ - 9⅛	9⅜ - 9¼	9⅛ - 8⅞	9⅛ - 9⅛	9⅜ - 9⅛	9⅞ - 9⅜
Swiss Franc	8⅝ - 8½	8⅝ - 8½	8⅞ - 8⅝	8½ - 8⅝	8⅛ - 8⅞	8⅛ - 7⅞
D-Mark	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	9⅛ - 9⅛	9⅝ - 9⅛	9⅝ - 9⅜
French Franc	9¾ - 9⅝	9½ - 9⅜	9⅜ - 9⅛	9⅝ - 9¼	9⅛ - 9⅛	9½ - 9⅜
Italian Lira	13 - 11	12 - 11	11⅝ - 11⅛	11⅝ - 11¼	11⅝ - 11⅛	11⅞ - 11⅝
Belgian Franc	9 - 8⅞	9 - 8⅞	9⅛ - 8⅞	9⅛ - 9⅛	9⅜ - 9¼	9⅜ - 9¼
Yen	8¼ - 8⅛	8⅜ - 8¼	8⅝ - 8⅜	8⅛ - 8	7⅞ - 7⅞	7⅞ - 7⅝
Danish Krone	10⅛ - 9⅝	10 - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Asian $Sing.	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅞ - 6⅝

Long term Eurodollars: two years 7⅝-7½ per cent; three years 8⅛-7⅞ per cent; four years 8⅜-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr.24	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.695	2.973	234.0	10.02	2.493	3.348	2191	1.965	60.75	1.439
$	0.590	1	1.754	138.1	5.912	1.471	1.975	1293	1.159	35.84	0.849
DM	0.336	0.570	1	78.71	3.370	0.839	1.126	737.0	0.661	20.43	0.484
YEN	4.274	7.244	12.71	1000.	42.82	10.65	14.31	9363	8.397	259.6	6.150
F Fr.	0.998	1.692	2.967	233.5	10.	2.488	3.341	2187	1.961	60.63	1.436
S Fr.	0.401	0.680	1.193	93.86	4.019	1	1.343	878.9	0.788	24.37	0.577
H Fl.	0.299	0.506	0.888	69.89	2.993	0.745	1	654.4	0.587	18.15	0.430
Lira	0.456	0.774	1.357	106.8	4.573	1.138	1.528	1000.	0.897	27.73	0.657
C$	0.509	0.863	1.513	119.1	5.099	1.269	1.704	1115	1	30.92	0.732
B Fr.	1.646	2.790	4.894	385.2	16.49	4.104	5.511	3607	3.235	100.	2.369
ECU	0.695	1.178	2.066	162.6	6.963	1.732	2.327	1523	1.366	42.22	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

	£	$
Iran	120.70*	67.00*
Korea(Sth)	1234.40 - 1254.35	722.90 - 728.70
Kuwait	N/A	N/A
Luxembourg	60.70 - 60.80	35.90 - 36.90
Malaysia	4.7025 - 4.7110	2.7600 - 2.7620
Mexico	5102.15 - 5122.25	2996.00 - 3006.00
N.Zealand	2.9220 - 2.9270	1.7095 - 1.7115
Saudi Ar.	6.3730 - 6.4440	3.7490 - 3.7510
Singapore	3.0255 - 3.0330	1.7775 - 1.7795
S.Af(Cm)	4.7435 - 4.7556	2.7790 - 2.7805
S.Af(Fn)	5.6430 - 5.7380	3.3000 - 3.3555
Taiwan	46.65 - 46.75	27.30 - 27.35
U.A.E.	6.2415 - 6.3110	3.6720 - 3.6740

* Selling rate

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
105	1.74	2.28	-	0.19	0.77	-
106	0.99	1.67	-	0.44	-	-
107	0.47	1.17	-	0.90	1.57	-
108	0.21	0.78	-	1.63	-	-
109	0.07	0.50	-	-	-	-
Open Int	123,522	40,684	1,401	131,957	44,809	1,601

Estimated volume 19,908 Total Open Interest 343,974

BASE LENDING RATES

	%		%		%
ABN Bank	12	Comm.Bk.of London Plc	12	McDonnell Douglas Bnk.	12
Adam & Company	12	Co-operative Bank	12	Midland Bank	12
Allied Trust Bank	12	Coutts & Co	12	Mount Banking	12
AIB Bank	12	Cyprus Popular Bk	12	Nat Bk. of Kuwait	13½
● Henry Ansbacher	12	Dunbar Bank PLC	12	NatWestminster	12
B & C Merchant Bank	12	Duncan Lawrie	12	Northern Bank Ltd	12
Bank of Baroda	12	Equatorial Bank plc	12½	Nykredit Mortgage Bank	12½
Banco Bilbao Vizcaya	12	Exeter Bank Limited	12½	Provincial Bank PLC	14
Bank Credit & Comm	12	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	13½
Bank of Cyprus	12	First National Bank Plc.	15	Royal Bk of Scotland	12
Bank of Ireland	12	● Robert Fleming & Co.	12	● Smith & Williamson Secs.	12
Bank of India	12	Robert Fraser & Ptnrs.	12½	Standard Chartered	12
Bank of Scotland	12	Girobank	12	TSB	12
Banque Belge Ltd	12	● Guinness Mahon	12	Daibank plc	12
Barclays Bank	12	● Hambros Bank	12	● United Bk of Kuwait	12
Benchmark Bank	12	Hampshire Trust Plc	13½	United Mizrahi Bank	12½
Brit Bk of Mid East	12	Heritable & Gen Inv Bnk.	12	Unity Trust Bank Plc	12
● Brown Shipley	12	● Hill Samuel	12	Western Trust	12
CL Bank Nederland	12½	C. Hoare & Co.	12	Westpac Bank Corp.	12
● Charterhouse Bank	12	Hongkong & Shanghai	12	Whiteaway Laidlaw	12
Citibank NA	12	● Leopold Joseph & Sons	12	Yorkshire Bank	12
City Merchants Bank	12	Lloyds Bank	12		
Clydesdale Bank	12	Meghraj Bank Ltd	12		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates little changed

THERE WAS little change in London interest rates yesterday, following a firmer period earlier this week resulting from poor economic news.

An improvement in the day-to-day liquidity position, after shortages in excess of £1bn on Monday and Tuesday, led to a slightly softer tone at the short end of the market.

Three-month sterling interbank was unchanged at 11⅞-11¾ per cent, while 12-month money was steady at 11$\frac{11}{16}$-11$\frac{9}{16}$ per cent.

Short sterling futures traded in a narrow range on Liffe, as June delivery flirted with a strong technical resistance level of 88.57. Dealers warned that if this is decisively broken, then a fall to 88.35 is indicated by chart movements. The June contract opened unchanged at 88.59 and closed at 88.56.

The Bank of England initially forecast a day-to-day credit shortage of £700m on the cash market, but revised this to £650m at noon and back to £700m in the afternoon. Total help of £729m was provided.

Before lunch the authorities bought £312m bills outright, by way of £150m bank bills in band 1 at 11⅞ per cent and £162m bank bills in band 2 at 11$\frac{13}{16}$ per cent. In the afternoon another £327m bank bills were purchased in band 1 at 11⅞ per cent. Late assistance of around £90m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £161m, with exchequer transactions absorbing £550m and a rise in the note circulation £70m. These outweighed bank balances above target of £80m.

In Frankfurt call money eased to 8.80 from 8.85 per cent after the Bundesbank injected a net DM1.5bn into the banking system at this week's securities repurchase agreement tender.

The central bank accepted bids of DM12.3bn for 28-day money at a fixed rate of 8.60 per cent. This exceeded an expiring facility of DM10.8bn.

In Brussels the National Bank left its seven-day advances rate unchanged at 8.80 per cent at yesterday's tender for liquidity against government paper and commercial bills. This followed a cut of 10 basis points in the rate at Monday's tender.

At that time the central bank said it was eliminating a differential in short-term rates with Germany. It was regarded as a move to slow the Belgian franc's advance against the D-Mark in the European exchange rate mechanism.

UK clearing bank base lending rate 12 per cent from April 12, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.24) 3 months US dollars	
bid 6⅛	offer 6¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

LEGAL NOTICES

Orange Holdings Limited

Registered number 1889211
Nature of business: Holding Company
Trade Classification: 38
Date of appointment of administrative receiver(s): 11 April 1991
Name of person appointing the administrative receivers(s): National Westminster Bank Plc
N.J. VOOGHT AND J.M. IREDALE
Joint Administrative Receivers(Office holder no(s) 006339 and 002104) of Cork Gully
Greyfriars Road
Reading
Berkshire RG1 1JG

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,527 Set by DANTE

ACROSS

1 Chap splits drinks with us – bags of them (12)
10 The protracted use of lines? (7)
11 An order to stop amber changing to green? (7)
12 Saw a musical group making a comeback (5)
13 Not the only part of the UK wanting tax to come down (8)
15 Official title of great merit (10)
16 Do a turn at the helm perhaps (4)
18 Turn out to be in error about a point (4)
20 One is apart, a result of marital break-up? (10)
22 Works of poets are broadcast (8)
24 Visitor to Mecca had half a jiff here (5)
26 Copy ear-clip design (7)
27 Head off disaster and have a party with fruit (7)
28 Bow feet (6,2,4)

DOWN

2 Fundamental shifting in cargo (7)
3 Relating complicated involvement of two men and a woman (8)
4 Golden retriever's craft (4)
5 Technocrat producing protection for a soldier (6-4)
6 Am given little scope (5)
7 The top expert on rollers? (7)
8 Distinctions that have to be fought for (6,7)
9 Joining a club used by electricians (9,4)
14 Decline to be corrupt (10)
17 Barely used part of the house (8)
19 Approach with some pomp to perform a menial task (5,2)
21 Country surrounding an American state (7)
23 Tina set up with a new name (5)
25 Card-game for well off circle (4)

Solution to Puzzle No.7,526

STAMPINGGROUND / REIGN TREESTUMP / COMPETE NEBULAE / SINEW APOCRYPHA / ASHBLONDE YOUTH / AMBAGES FILOFAX / GORBACHEV MAUVE / MONKEYBUSINESS

WORLD STOCK MARKETS

AUSTRIA

April 24	Sch	+ or –
Austrian Airlines	3,390	+65
Creditanstalt	3,340	+30
EA General	4,560	+108
EVN	8,380	....
Jungbunzlauer	10,780	....
Laenderbank	1,380	+20
OeMV	9,590	+10
Perlmooser Zement	1,510	–140
Radex Heraklith	936	+24
Reininghaus Brue	2,070	–280
Steyr Daimler	427	....
Veitscher Magnesit	790	+10
Verbund (Br) A	528	+4
Wienerberger	6,120	+10

BELGIUM/LUXEMBOURG

April 24	Frs.	+ or –
ACEC-Union Min	2,705	–20
Arbed	4,030	....
BBL	2,980	....
Bank Intl a Lux	12,300	–100
Banq Gen Lux Pts	12,400	–100
Barco	1,408	+12
Bekaert	9,010	....
CBR Ciment	8,010	+20
Cobepa	5,430	+60
Cobepa AFV 1	5,330	....
Cockerill Priv	168	+2
Cofinoy	3,120	–30
Delhaize Frs Lion	7,880	–30
Electrabel	4,850	+30
Electrabel AFV	4,750	....
Electrafina ACT	3,130	–25
Fabrique Nat	130	....
GBL AFV 1	3,720	+40
GIB Group AFV	1,332	–4
GBL	3,890	+30
GIB Group	1,326	–14
Gechem	864	–32
Gechem AFV	820	+10
Generale Banque	5,420	+10

FRANCE (continued)

April 24	Frs.	+ or –
Bongrain	2,540	+1
Bouygues	576	–1
CGIP	1,009	–7
C M B Packaging	136	+1.50
Canal+	956	–17
Cap Gemini S	394	+1.20
Carrefour	3,740	+20
Casino	139	–2
Cetelem	632	–8
Chargeurs	748	+12
Ciments Fr	409	+19
Club Mediterranee	471	–4.10
Cogifi	384	+4
Coparex	375	....
C C F	165	–0.60
Cr Fonc France	1,087	+2
Cred Lyon (CI)	672	–1
Credit Nationale	1,204	–16
Damart	2,048	–52
Docks de France	3,850	+10
Dollfus Mieg Cie	410	–1
EBF	768	–7
Eaux Cie Genl	2,561	–14
Ecco	370.10	–12.90
Elf-Aquitaine	343	+6.60
Elf-Aquitaine Certs	232.30	+1.30
Essilor Int	355	–5
Etex	2,159	+61
Eurafrance	1,588	+5
Eurocom	881	....
Euro Disney	116.90	–1.30
Euromarche	4,080	–58
Exor	1,397	+3
Finextel	144	+2.50
Fonc Lyonnaise	812	–8
From C et Aux	2,095	–25
GTM-Entrepose	439	–10
Gaumont (Soc N)	950	–1
Gen Occidentale	764	–1
Geophysique	696	+7
Hachette	198.50	–1.50
Havas	513	–11
Imetal	316	+3
Imm de France	1,198	+49

CANADA

Sales	Stock	High	Low	Close	Chng
10500	Cara Op	$16⅞	16¾	16⅞	–⅛
9300	Carena Dev	$13⅝	13½	13⅝	
500	Cascades	480	480	480	
100	Celanese	$38	38	38½	
3100	Cntrl Cap	$7⅛	7	7	–⅛
7800	Cheapx Odn	$5⅜	5⅜	5⅜	
8800	Cntrl Fd A	470	465	470	–5
2800	Jannock	$17	16¾	16¾	–⅛
500	KerrAddis	u$18½	16½	16½	
13500	Labatt	$24⅛	24	24	–⅛
251500	Lac Minls	$8⅝	8⅝	8⅝	–⅛
6700	Lafarge	$16⅞	16⅞	16⅞	+⅛
1100	Rayrock	$7	d6⅞	6⅞	–⅛
10300	Ren'ssance	$16⅛	15⅝	15⅝	
291000	Repap Ent	$6⅝	6½	6⅝	–⅛
77000	Rio Algom x	$18⅛	18⅛	18⅛	–⅛
2900	Rothmans	$55	54	55	+1
117700	RoyalBkCan x	$28⅛	28	28⅛	+⅛
248400	RylTrustco x	$9⅜	9	9⅜	

MONTREAL

Sales	Stock	High	Low	Close	Chng
89400	NatBk Can	$10½	10¼	10⅜	+⅛
55100	Provigo	$11⅞	11¾	11⅞	–⅜
500	Quebecor A	$19	19	18⅞	
800	Videotron	$13⅝	13⅝	13⅝	–⅛

Total Sales 8,537,100 shares

INDICES

NEW YORK

DOW JONES	Apr. 23	Apr. 22	Apr. 19	Apr. 18	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2930.45	2927.72	2965.59	2999.26	3004.46 (17/4)	2470.30 (9/1)	3004.46 (17/4/91)	41.22 (2/7/32)
Home Bonds	94.10	94.18	94.19	94.53	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 1/10/81)
Transport	1157.09	1151.62	1172.87	1178.07	1178.07 (18/4)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.51	210.95	212.65	216.30	220.89 (16/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2957.92 (2962.13) Low 2905.94 (2911.63)

STANDARD AND POOR'S

	Apr. 23	Apr. 22	Apr. 19	Apr. 18	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	381.76	380.95	384.19	388.45	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	452.99	452.00	457.33	463.23	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.59	30.47	30.87	31.58	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	208.68	208.39	210.23	212.26	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	365.70	366.56	370.83	373.40	373.40 (18/4)	296.72 (14/1)	397.03 (18/10/89)	29.31 (9/12/72)
NASDAQ Composite	496.08	494.13	501.19	506.62	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	Apr.19	Apr.12	Apr.5	year ago (approx.)
Dow Industrial Div. Yield	3.40	3.45	3.48	4.07

	Apr.17	Apr.10	Apr.3	year ago (approx.)
S & P Industrial div. yield	2.69	2.85	2.81	3.04
S & P Indl. P/E ratio	19.07	18.17	18.44	15.13

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
RJR Nabisco	3,827,900	11⅞	+ ⅛
Nova Corp	3,799,300	7½	- ⅛
MBIA Inc	2,424,200	35⅝	+ ⅛
Upjohn	1,952,000	44⅝	- 1⅛
Philip Morris	1,748,600	67½	- ⅛
Boeing	1,722,100	47⅛	+ ⅜
Am T & T	1,669,400	36	- ⅛
Am Express	1,648,000	26½	- ⅜
Advanced Micro	1,598,500	12⅞	+ ⅜
Bank of Boston	1,497,600	7⅝	- ⅞

TRADING ACTIVITY

† Volume (Millions)	Apr.23	Apr. 22	Apr. 19
New York	167.840	164.400	195.510
Amex	11.623	10.504	15.020
NASDAQ	161.548	153.439	218.014
Issues Traded	2,067	2,055	2,059
Rises	832	424	515
Falls	780	1,236	1,084
Unchanged	455	395	460
New Highs	56	44	67
New Lows	8	7	10

CANADA

TORONTO	Apr	Apr 22	Apr. 19	Apr. 18	1991 HIGH	1991 LOW
Metals & Minerals	3198.44	3173.35	3168.52	3227.79	3284.18 (5/3)	2632.06 (9/1)
Composite	3502.39	3491.57	3495.97	3533.93	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1848.41	1839.88	1839.10	1859.27	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 24	Apr. 23	Apr. 22	Apr. 19	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1518.5	1518.5	1512.9	1528.4	1528.4 (19/4)	1204.5 (16/1)
All Mining (1/1/80)	665.5	660.3	663.6	671.1	673.7 (18/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	523.58	518.61	515.19	525.36	534.82 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1208.50	1209.04	1203.29	1218.83	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	348.33	349.50	351.00	352.08	354.26 (4/4)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1098.9	1101.8	1110.8	1113.0	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	479.31	480.49	478.69	483.13	493.78 (9/4)	394.88 (15/1)
CAC 40 (31/12/87)	1782.03	1781.83	1767.20	1791.12	1851.89 (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	678.92	676.76	671.83	679.21	686.01 (17/4)	570.48 (15/1)
Commerzbank (1/12/53)	1921.4	1915.9	1898.0	1923.3	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1603.73	1597.05	1571.91	1599.37	1623.83 (17/4)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3605.29	3569.64	3582.49	3667.40	3869.70 (3/4)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1467.54	1472.27	1475.14	1484.65	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	589.22	593.17	595.99	602.64	602.64 (19/4)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26330.21	26492.57	26257.01	26541.97	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1974.03	1982.52	1975.53	1998.07	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3350.31	3363.72	3396.12	3404.88	3404.88 (19/4)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	590.84	588.38	592.16	595.50	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	274.5	275.1	272.5	275.8	275.2 (18/4)	221.4 (16/1)
CBS All Shr (End 1983)	200.2	200.8	198.9	200.7	200.9 (15/4)	162.3 (16/1)
NORWAY						
Oslo SE Ind (2/1/83)	702.39	712.08	714.60	716.60	735.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1046.31	1022.83	1027.12	1071.50	1154.73 (8/4)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	417.54	416.31	416.26	416.32	417.54 (24/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1059.04	1044.0	1032.0	1041.0	1367.0 (14/1)	971.8 (25/2)
JSE Industrial (28/9/78)	3512.06	3479.0	3476.0	3476.0	3512.0 (24/4)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	632.63	637.84	615.61	628.33	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	281.50	280.16	279.58	282.43	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1066.0	1066.7	1058.1	1073.9	1119.0 (18/3)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	741.1	739.9	732.0	737.5	743.0 (3/4)	590.4 (14/1)
SBC General (1/4/87)	619.8	620.1	614.8	621.4	625.1 (9/4)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5806.74	5732.89	5824.0	5739.26	5806.74 (24/4)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	895.34	893.19	908.98	908.13	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (s)	508.5*	509.1	506.1	515.6	529.2 (17/4)	439.1 (16/1)

**Saturday April 20: Taiwan Weighted Price: 5754.09, Korea Comp Ex. 620.57.
△ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 24 April 1991

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	11.6m	545	-7
Sharp	9.1m	1,580	+30
Citizen Watch	6.6m	1,070	+30
Nippon Steel	5.9m	469	-3
Nihon Nohyaku	5.7m	2,410	+30
Fujitsu	5.4m	1,210	0
Taiyo Sanso	5.3m	1,070	+70
N'on Elec Glass	5.2m	2,160	+170
Tsugami	5.2m	860	+87
Japan Steel Wks	4.9m	700	+6

Price data supplied by Telekurs.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:15 pm prices April 24

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.03	12	412	14	13¾	13⅞	+⅛
26⅛	21⅞	A L Labs A	0.16	0.00	31	61	26⅞	26¾	26⅞	+⅛
54⅛	40⅞	AMP Inc	1.44	0.03	19	2030	52½	51⅛	51⅜	-½
64⅞	44⅝	AMR				192578	64⅛	63	64½	+1⅛
2⅜	1¼	ARX			9	61	2⅜	2⅜	2⅜	
48¾	41½	ASA	3.00	0.07	13	134	45⅞	45⅛	45⅛	-⅛
54	39⅛	Abbott Lab	1.00	0.02	22	2516	52½	51½	51⅞	-⅛
13⅞	9⅞	Abitibi Pr	0.50	0.04	19	9	13¼	13¼	13¼	+⅛
11⅛	10⅞	ACM Gvt In				328	d11⅛	11⅛	11⅛	
9⅜	8⅞	ACM GvOpp				10	9¼	9¼	9¼	
9⅛	8¼	ACM Gvt Sp	1.01	0.11		227	u9⅛	9	9⅛	
11	9⅞	ACM Gvt Sc x				675	u11	10⅞	10⅞	
8¼	7⅞	ACM Man				298	8⅛	8	8	-⅛
12⅝	11⅞	ACM Managd				386	u12⅝	12⅜	12⅝	+⅛
7¼	4¾	Acme Cleve	0.40	0.06	18	25	6⅞	6⅞	6⅞	
6	4⅞	Acme Elect			16	26	5	4⅞	4⅞	
40	22⅞	Acuson			24	1122	34⅛	32⅞	32⅞	-1¼
17⅛	14¼	Adams Expr	0.48	0.03	0	42	17⅛	17	17⅛	+⅛
20⅛	18⅞	Adobe12Pf x	2.40	0.12		15	19½	19¼	19¼	-⅛
9¼	7	Adobe Res			21	174	8	7⅞	8	+⅛
36⅞	18	Ad Micro				142	33½	33	33¼	+½
14¼	4⅝	Ad Micro P	3.00	0.23	14	5005	13⅛	12⅞	13⅛	+¼
5⅛	2¼	Advest Grp	0.16	0.04	5	65	4⅛	4⅛	4⅛	-⅛
49¼	33⅞	Aetna Lf x	2.76	0.06		73236	47½	46⅞	47	-⅛
10⅞	6⅝	Aflil A	0.24	0.03	36	1319	9⅛	8⅞	9⅛	+⅛
18¼	12	Ahmanson	0.88	0.05		81647	16⅝	16¼	16¼	-⅛
5⅞	2⅞	Aileen Inc				101036	u6⅛	5½	6⅛	+⅝

هذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices April 24

NASDAQ NATIONAL MARKET

3:00 pm prices April 24

AMERICA

Lockheed team rise after record order for fighters

Wall Street

SPORADIC buying of blue-chips helped share prices edge higher yesterday morning, but the improvement was short-lived, *writes Patrick Harverson in New York.*

By 1.30 pm the Dow Jones Industrial Average was down 3.22 at 2,927.23. The broader-based Standard & Poor's 500 index had weakened a little earlier, dropping 0.31 to 381.45 by 1 pm, while the Nasdaq composite of over the counter stocks continued its recent recovery, rising 1.54 to 497.62. New York SE turnover was modest at 98m shares, while declining issues outpaced advancing issues by 719 to 690.

Analysts expect the market to trade in a narrow range either side of its present levels, with 2,920 the likely floor on the Dow, and little chance in the near future of the index climbing back above 3,000. What is worrying some analysts is the fact that the number of market bulls – investors who expect prices to continue rising – remains high. This is often a sign that prices have peaked and sentiment is about to turn.

Defence stocks were in the limelight after the US Air Force awarded the largest contract ever awarded in the defence industry to a team led by Lockheed, to build a new generation of fighter planes. The Pentagon is expected to order 650 planes to be built, valued at a total of $95bn. Lockheed's partners are Boeing, General Dynamics and United Technologies.

The news lifted Lockheed $1⅛ to $43⅞ on turnover of 1.3m shares, Boeing $¼ to $47⅞, United Technologies $1 to $46⅛ and General Dynamics $⅛ to $37⅝. Shares in the two companies which lost in the five-year competition for the fighter contract fell sharply. Northrop dropped $3⅛ to $23⅜ and McDonnell Douglas slumped $3 to $47⅝.

Goodyear rose $⅛ to $21⅛ in spite of reporting a 7.2 per cent decline in worldwide sales in the first quarter and a net loss of $90m, mostly due to a $65m charge against earnings. The shares rose because the bad news had been discounted by the market.

The Maine-based bank, Fleet/Norstar, continued to benefit from news of its takeover of the failed Bank of New England (BNE), rising $1⅛ to $23⅞ on turnover of over half a million shares.

Procter & Gamble unveiled a meagre 1.8 per cent rise in earnings per share for the first quarter, news which pushed the consumer product group's stock $1⅛ lower to $89⅝.

NCR edged $⅞ higher to $102⅞ on hopes that the computer group will shortly reach an agreement with AT&T, the telecommunications giant, ending a five-month long takeover battle. AT&T rose $⅞ to $36⅝.

On the over-the-counter market the ADRs of Reuters, the UK information group, slumped $2⅞ to $42⅛ on turnover of 1.6m shares after a Merrill Lynch analyst in London cut his investment rating on the stock ahead of the group's annual meeting tomorrow.

Canada

TORONTO remained sluggish in midday trade, as gains in bank shares helped offset losses in gold shares.

The Royal Bank cut its prime rate by 50 basis points to 10.25 per cent, effective today, boosting bank shares.

The composite index gained 1.4 to 3,503.8. Declines led advances by 195 to 180 on volume of 10.43m shares.

Among the most active stocks were Varity Corp off 5 cents at C$3 and Ipsco up C$¼ at C$24.

Asia's sick man shows recovery potential

John Ridding reviews the recently downcast and still lethargic South Korean market

WHILE RIVAL markets from Hong Kong to Singapore and from Tokyo to Taiwan have appreciated at double digit rates since the beginning of this year, Seoul has continued a slump which last year brought its biggest ever annual fall. Although Indonesia has run it close, it is the only market in the region to have declined since the beginning of 1991.

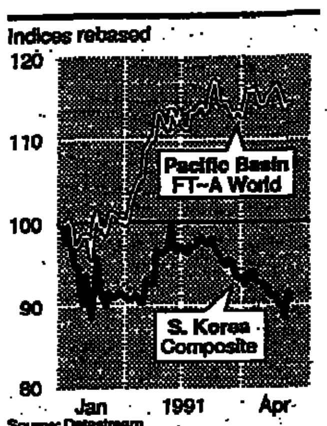
At close of trading yesterday the South Korea composite index stood at 632.63, down 5.21 on the day and 9 per cent on the year. Since the beginning of 1990 it has fallen by almost 30 per cent.

However, the sick man of Asia now seems to be over the worst. It briefly awoke from its lethargy on Tuesday, when the index jumped by 3.6 per cent; and yesterday, when turnover climbed from Won142.3bn to Won180bn, investors revelled in their ability to take a profit. "The question investors are asking now is not 'should I sell?', but when should I start to buy?" says Ms Melissa Brown, director of research at Barclays De Zoete Wedd in Seoul.

The protracted gloom has been due to a combination of fundamental and technical factors. Inflation, the resulting tightening of credit, and concern about the source of South Korea's growth have soured sentiment.

While GNP continues to expand at one of the highest rates in the world, rising by 9 per cent last year, the pattern of growth has shifted dramatically since 1987 and 1988. Exports, the traditional engine of the economy, grew by a meagre 3 per cent in 1989 and 1990, while consumption and the service sector have taken up the slack.

"There is a feeling that the source of growth is still not very healthy," says Mr Torquil McAlpine, chief representative of Schroder Securities in Seoul. "Investment in manufacturing is still being crowded out." Inflation, too, is rearing its head again. In the first quarter of this year consumer prices rose by 3.7 per cent, nearly half the government's target for the year.



In an attempt to curb the spectre of double digit inflation, the government has tightened money. "The credit crunch is beginning to bite," says Mr Hank Morris, chief representative of Kleinwort Benson. He adds that South Korean companies are finding capital harder than ever to come by.

The resulting liquidity constraint has created adverse technical factors. When the market rallies, investors, and particularly securities companies which are hardest strapped for funds, are tempted to sell. Consequently, upturns have tended to be short-lived.

Trading, too, is subdued. Average daily turnover is in the region of $120m, about one quarter of the turnover in the salad days of 1989.

Shafts of light, however, are now penetrating the gloom. Exports grew by an encouraging 10.2 per cent in the first quarter, year on year, a trend which is expected to be sustained by reviving economic growth in the US and much of Europe, and by post-Gulf war reconstruction. Oil prices, critical to South Korea's import-dependent energy sector, have also eased.

The stabilisation fund, inspired by the government and set up by financial institutions last year to support the ailing bourse, still has estimated free funds of over Won300bn ($413m) to stimulate a rally. In addition, the prospect of direct foreign investment, to be allowed from next year, will create a boost even before the new capital arrives.

That foreign interest exists is shown by the increased prices this year for South Korean Euromarket instruments. Korean convertible bonds and warrants enable investors to gain exposure to the underlying equity market before it is opened to foreigners. Their recent popularity indicates that foreign investors are already implementing their entry strategies.

For these investors, the hope is that Seoul will take its time to convalesce. But with one of Asia's most dynamic economies moving back on course, they may find that the index does not wait for them on its way back up.

EUROPE

Olivetti falls 2.6 per cent as it passes 1990 dividend

BOURSES had a sensitive look about them yesterday, reacting both to company news, and to speculation about impending results or rights issues, *writes Our Markets Staff.*

MILAN saw particular weakness in Olivetti ahead of the announcement of its 1990 results after the market's official close. The Comit index fell 3.95 to 589.22 in thin volume before today's holiday.

Olivetti dropped L101 or 2.6 per cent to L3,769 on strong fears that the 1990 dividend might be halved or worse, omitted. After the market closed the computer company reported a 70 per cent drop in net profit and passed the dividend. Dealers said that although Milan would be closed today, the shares could come under severe selling pressure in London since Olivetti has a listing on Seaq International. Mr Carlo De Benedetti's holding company, Cir, dropped L25 to L2,635.

Generali lost another L400 to L37,500. Three state-controlled banks said they had bought Generali shares recently.

PARIS was enlivened by a busy oil sector and resisted poor March trade data. The CAC-40 index ended 0.20 higher at 1,732.03 but volume was thin at FFr1.45bn.

Oil shares were boosted by sparkling first quarter earnings reports from US oil companies on Tuesday. Total, which has considerable refining capacity in the US, surged to 12-month high of FFr766 before easing to end FFr28 or 3.9 per cent higher at FFr756 on heavy volume of 251,800 shares. Dealers spoke of genuine buying interest, although they added that there was also talk of an imminent rights issue. Elf rose FFr6.60 to FFr343 with 152,000 shares traded.

Among the second-liners, L'Oréal rose FFr16 to FFr565 with 87,420 shares traded while Synthelabo jumped FFr58 or 7.34 per cent to FFr848, the biggest riser of the day, on renewed speculation that L'Oréal was about to sell its stake in it.

FT-SE Eurotrack 100 - Apr 24							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1122.28	1120.03	1117.98	1117.97	1118.08	1118.16	1119.15	1119.18
Day's High 1122.28				Day's Low 1117.32			
Apr 23	Apr 22	Apr 19	Apr 18	Apr 17			
1122.04	1112.13	1122.00	1124.98	1126.20			

Base value 1000 (26/10/90)

FRANKFURT ended firmer, but off its highs with the DAX index 6.68 higher at 1603.73 after a rise of 2.16 to 678.92 in the FAZ at midsession. Volume moved up from DM6bn to DM6.1bn but financials, carmakers and energy stocks were flat, leaving chemicals, a few retailers and some steels and engineers to give the market its modest lift.

Ms Barbara Schumacher, of Merck Finck in Düsseldorf, thought that the market was just ticking over. Like other professionals, she has seen the DAX attack the 1,600 to 1,620 level a number of times this year, only to fall back. Many foreign institutions, she said, have been underweight in Germany for some months and seem to be happy in that position. That means no big sellers to test, and perhaps prove market improvements in real volume.

Profit-taking took IG Farben down DM1.10 to DM27.90, after its DM3.20 rise on Tuesday on east German property compensation prospects. It was thought that the gains in steels and engineering, with Hoesch up DM7 to DM274, Thyssen DM5 to DM227.50 and Klöckner-Werke DM4 to DM155, might reflect rotation of compensation speculation out of chemicals and carmakers, and into the heavy end of the industrial economy.

ZURICH featured a SFr240 rise to SFr5,190 gain for Sulzer after the engineering company said that it planned to open its share register to foreigners. However volume in Sulzer remained limited; a 20 per cent stake in the company is owned by the troubled Omni Holdings, and 10 per cent by Omni's former chairman, Mr Werner Rey. Sulzer also said that profits could drop in 1991.

After a rumour of a rights issue for CS Holding, the parent of Crédit Suisse, took its shares down SFr70 to SFr2,110, the Crédit Suisse index closed 0.9 higher at 555.7.

AMSTERDAM had a volatile session, starting off on a strong note then drifting lower only to recover in the afternoon on the back of a respectable opening on Wall Street and surprisingly strong results from Akzo. The CBS Tendency index closed up 0.1 at 95.5.

Akzo closed Fl 5.20 better at Fl 117.30 with 138,523 shares traded after reporting higher than expected first quarter earnings earnings per share of Fl 4.33 compared with Fl 4.54 in the same period last year. Market forecasts had ranged from Fl 3.00 to Fl 3.30. Dealers also spoke of a large buyer in the stock.

MADRID saw heavy trading in Hidrola, the utility, with around 2m traded. The price closed Pta14 higher at Pta591 on the prospect that it will merge with Iberduero. Iberduero finished Pta3 lower at Pta722. The general index closed off 0.18 at 281.32 in low volume of Pta10.8bn.

OSLO continued to slide in thin volume, the all-share index falling 6.40 to 466.13 in volume of NKr186m.

ASIA PACIFIC

Volume low ahead of Golden Week holiday

Tokyo

THE stronger yen failed to attract investors to equities yesterday, and share prices ended weaker after showing initial gains and trading within a narrow range for most of the day, *writes Emiko Terazono in Tokyo.*

The Nikkei average, which improved 254 points on Tuesday, lost 161.36 to 26,330.21 after a high for the day of 26,585.66 and a low of 26,329.22. Activity remained slack ahead of the Golden Week holidays, with 350m shares changing hands. Traders said that yesterday was the last trading day for April deliveries, and that this also depressed turnover.

Declines led advances by 635 to 329, with 170 issues unchanged. The Topix index of all first section stocks shed 8.49 to 1,974.03, but in London the ISE/Nikkei 50 index was up a slight 0.55 at 1,496.72.

The fall on the futures market prompted profit-taking by investors looking to sell before the holidays. But Mr Dominic Henderson at Jardine Fleming said many foreign investors were waiting to buy as soon as the currency market stabilised.

Japanese brokerages tried to revive the market by promoting big companies with good earnings prospects. Kobe Steel, the most active issue of the day, rose to a high of Y555 but closed down a net Y7 at Y545. The company expects its aluminium business to boost its results. Other large-capital issues also lost ground, with Nippon Steel down Y3 to Y469.

Electricals responded favourably to comments by Mr Alan Greenspan, US Federal Reserve chairman, that the US economy was recovering. Sharp advanced Y30 to Y1,580.

Investors turned to small and medium-sized companies with low liquidity for short-term profits. Tsugami, a medium-sized machine tool maker, climbed Y81 to Y850 on individual buying. The company is expected to increase sales of its machine tools due to demand for labour-saving equipment.

Taiyo Sanso, an industrial gas producer, gained Y79 to Y1,070, rising over Y1,000 for the first time since November. Individual investors sought the stock on the company's growth in gas purification systems for semiconductors.

Nippon Electric Glass, a cathode ray tube maker, forged ahead Y170 to Y2,150. It has developed technology to mass-produce boro-silicate glass for liquid crystal displays. Rumours that a large speculative group was chasing the issue also buoyed the shares.

Mitsumi, a system components manufacturer, put on Y10 to Y1,640 on reports that it has received additional orders for Super Family Computer, Nintendo's new video game.

Nippon Oil rose to Y1,130 on news that it expects pre-tax profits for the year to end-March to increase by 120 per cent, but closed unchanged at Y1,090 on profit-taking. Other oil refiners remained firm, with General Sekiyu adding Y90 at Y1,200 and Mitsubishi Oil Y20 at Y1,160.

Itoman, the trading company in financial trouble due to its extensive real estate and stock investments, fell Y33 to Y628. The company is now involved in an art scandal, and reports that prosecutors had started investigations by searching the company's offices prompted heavy selling.

In Osaka, the OSE average rose 77.07 to 29,346.71 on volume of 32.6m shares.

Roundup

MOST Pacific Rim markets recovered yesterday after their recent weakness.

NEW ZEALAND, after three days of falls, rallied on foreign buying interest and a positive outlook for domestic interest rates. The Barclays index closed 29.49 or 2.0 per cent higher at 1,473.45 after turnover of NZ$20.9m (NZ$13.9m). Fletcher Challenge put on 8 cents to NZ$3.92 on volume of 1.6m shares, while Carter Holt Harvey regained 6 cents to NZ$1.73 on 2.8m shares traded. The market is closed today for Anzac Day.

JAKARTA was higher in active trading following a tightening in disclosure rules. Volume expanded to 7.42m shares from 5.83m and the index rose 4.03 to 419.58.

The Capital Market Supervisory Board, which runs the exchange, tightened disclosure rules for public companies, including a requirement to present detailed financial reports and analysis on prospects. The banking sector led the gains on speculation that the government would soon allow foreigners to buy banking shares.

AUSTRALIA gained ground ahead of the Veterans Holiday today, mainly as investors converted expiring options. The All Ordinaries index improved 7.9 to 1,518.5 but turnover fell to A$241m from A$253m.

Australian Consolidated Investments sold 7 per cent or 100m shares in Nine Network for 55 cents a share to a wide spread of investors. Nine Network eased 2 cents to 58 cents.

HONG KONG rebounded in moderate trading, but steep early gains were pared by late profit-taking. The Hang Seng index climbed 63 points shortly after the opening but ended 35.65 up at 3,605.29 on turnover of HK$1.2bn (HK$1.3bn).

MANILA finished higher on short-covering and bargain hunting. The composite index rose 23.48 to 1,046.31 in turnover of 111.4m pesos, against a previous 116.6m.

TAIWAN bounced up in narrow trading, driving the market again to the 5,800 chart resistance point. However, there was concern over power rationing which could harm industry's productivity. The weighted index rallied 74.65 or 1.3 per cent to 5,806.74. Turnover slipped to T$53.59bn from T$70.73bn.

SINGAPORE closed at the day's high after a soft start. The Straits Times Industrial index gained 10.58 to 1,536.67 in turnover of S$188.5m, up from S$145m.

KUALA LUMPUR's composite index firmed 2.46 to 690.84 in volume of 46.7m shares, after Tuesday's 35.9m.

SOUTH AFRICA

JOHANNESBURG rose on hopes of further easing of sanctions after the President's European tour. The industrial index rose 33 to 3,512, a new high, and the all-gold index firmed 15 to 1,059. The all-share index put on 26 to 3,024.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 23 1991								MONDAY APRIL 22 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (74)	141.22	+0.5	122.33	123.10	127.90	121.21	−0.1	5.67	140.58	123.15	123.87	129.07	121.37	141.77	112.74	131.87
Austria (19)	198.97	+1.1	172.36	173.45	180.20	180.06	+0.2	1.46	196.73	172.33	173.36	180.63	179.77	222.37	167.00	255.84
Belgium (60)	136.22	+0.2	118.00	118.73	123.37	120.94	−0.6	4.94	135.92	119.07	119.76	124.79	121.68	151.20	121.73	146.82
Canada (116)	138.31	+0.8	119.81	120.56	125.25	115.78	+0.5	3.42	137.16	120.15	120.85	125.92	115.16	141.10	126.49	131.20
Denmark (31)	234.68	+0.4	203.29	204.57	212.54	212.74	−0.5	1.58	233.86	204.88	206.07	214.72	213.90	270.58	217.74	243.74
Finland (21)	112.73	−1.1	97.65	98.27	102.10	96.63	−1.2	2.51	113.97	99.83	100.43	104.64	97.79	125.15	90.61	131.00
France (112)	133.38	+1.8	115.54	116.26	120.78	122.92	+0.5	3.54	131.06	114.80	115.47	120.32	122.27	152.26	121.85	163.82
Germany (88)	108.12	+2.3	93.66	94.26	97.92	97.92	+0.9	2.27	105.71	92.60	93.16	97.06	97.06	125.35	102.43	128.39
Hong Kong (48)	146.21	−0.2	126.65	127.45	132.42	146.28	−0.2	4.68	146.53	128.35	129.11	134.54	146.59	156.75	119.62	124.84
Ireland (16)	158.09	+0.9	136.95	137.81	143.17	145.26	−0.2	3.14	156.70	137.27	138.08	143.87	145.60	182.46	132.88	184.05
Italy (91)	79.18	+0.8	68.59	69.02	71.71	76.05	−0.6	3.35	78.57	68.82	69.23	72.13	76.60	88.23	72.05	99.46
Japan (452)	139.61	+1.7	120.94	121.70	126.46	121.70	+0.6	0.71	137.34	120.31	121.02	126.11	121.02	146.97	118.35	134.58
Malaysia (33)	233.84	−0.7	202.56	203.82	211.77	248.65	−0.6	3.04	235.39	206.20	207.41	216.12	250.08	247.78	192.83	207.04
Mexico (12)	860.43	−4.3	745.35	750.03	779.26	2822.25	−4.4	0.24	899.27	787.74	792.41	825.66	2950.63	931.33	534.45	403.43
Netherland (40)	138.55	+2.4	120.02	120.77	125.48	124.10	+1.0	4.19	135.32	118.54	119.24	124.25	122.81	146.73	125.70	137.27
New Zealand (14)	48.65	−0.6	42.15	42.41	44.06	43.93	−1.1	7.78	48.94	42.87	43.12	44.93	44.42	52.31	41.18	62.55
Norway (30)	187.41	+0.3	162.35	163.37	169.74	172.34	−0.7	1.75	186.81	163.64	164.61	171.52	173.58	223.24	162.24	225.06
Singapore (25)	201.25	−0.7	174.34	175.43	182.27	164.95	−0.8	2.03	202.75	177.60	178.66	186.15	165.89	208.25	151.63	182.45
South Africa (60)	203.89	+0.4	176.62	177.73	184.65	148.31	+0.0	3.82	203.15	177.95	179.00	186.51	148.26	208.54	173.00	179.87
Spain (41)	156.44	+2.1	135.52	136.37	141.68	127.17	+0.8	4.43	153.21	134.21	135.01	140.67	126.11	171.12	131.61	151.56
Sweden (27)	178.01	+1.7	154.20	155.17	161.22	163.78	+0.8	2.66	175.03	153.32	154.23	160.70	162.46	204.12	146.60	185.02
Switzerland (65)	93.32	+2.4	80.84	81.35	84.53	84.41	+1.0	2.47	91.14	79.84	80.32	83.69	83.60	100.67	82.17	90.08
United Kingdom (295)	172.40	+1.6	149.34	150.26	156.12	149.34	+0.5	4.75	169.71	148.66	149.53	155.80	148.66	187.44	156.27	143.39
USA (524)	154.71	+0.1	134.02	134.86	140.12	154.71	+0.1	3.15	154.48	135.32	136.13	141.84	154.48	158.24	125.95	133.84
Europe (936)	138.06	+1.7	119.59	120.34	125.04	122.30	+0.5	3.87	135.74	118.91	119.61	124.64	121.70	151.52	125.50	137.79
Nordic (109)	174.78	+0.9	151.41	152.36	158.30	153.56	+0.0	2.10	173.28	151.79	152.69	159.10	153.58	200.81	155.55	186.78
Pacific Basin (646)	139.60	+1.5	120.93	121.69	126.44	122.20	+0.5	1.04	137.51	120.45	121.17	126.25	121.59	145.92	117.86	134.03
Euro – Pacific (1582)	139.31	+1.6	120.68	121.43	126.18	123.11	+0.5	2.20	137.12	120.11	120.82	125.89	122.50	147.66	121.29	135.90
North America (640)	153.61	+0.2	133.07	133.92	139.15	152.09	+0.2	3.16	153.33	134.31	135.13	140.80	151.83	157.04	125.91	133.40
Europe Ex. UK (641)	117.29	+1.8	101.60	102.26	106.25	106.50	+0.5	3.17	115.22	100.93	101.54	105.81	105.94	129.80	106.85	132.44
Pacific Ex. Japan (194)	138.55	+0.0	120.02	120.79	125.49	123.94	−0.2	4.99	138.50	121.33	122.06	127.18	124.25	140.90	111.40	128.71
World Ex. US (1770)	140.34	+1.5	121.57	122.34	127.10	123.75	+0.5	2.25	138.22	121.08	121.80	126.91	123.17	148.18	122.32	136.32
World Ex. UK (1999)	141.39	+1.0	122.48	123.25	128.06	131.77	+0.3	2.31	140.05	122.68	123.42	128.60	131.32	145.77	120.06	133.45
World Ex. So. Af. (2234)	143.77	+1.0	124.54	125.33	130.22	133.40	+0.4	2.57	142.31	124.66	125.41	130.67	132.92	148.66	122.92	134.04
World Ex. Japan (1842)	147.91	+0.7	128.12	128.94	133.97	139.75	+0.2	3.49	146.86	128.64	129.42	134.86	139.40	152.83	126.89	136.53
The World Index (2294)	144.13	+1.0	124.86	125.64	130.55	133.50	+0.4	2.58	142.68	124.98	125.73	131.01	133.04	149.01	123.28	134.32

Latest prices were unavailable for this edition.

■ The economy: revenue shortfall will be hard to avoid Page 3

GREECE

■ Tourism: visitors expected to drop by at least 10% Page 6

After a year in office, the Mitsotakis government is still trying to restructure the economy and modernise public institutions. The challenge it faces is to keep up the pace of reform without endangering the prevailing political consensus, writes **Kerin Hope**

Awkward, but essential

AT AN age when most politicians are putting the finishing touches to their memoirs, Mr Constantine Mitsotakis, the 72-year-old Greek prime minister, has undertaken the awkward task of making Greece more like other European Community countries.

To succeed, he will need all the tenacity acquired during a career in which the highest office always seemed to remain just beyond his grasp.

Though the socialists who ran Greece during the 1980s were mired in scandal and clearly running out of steam, it was only after three elections and almost a year of political uncertainty that the conservative New Democracy party managed to scrape a one-seat parliamentary majority last April.

Mr Mitsotakis' chances of heading a stable government improved soon afterwards when Mr Constantine Karamanlis, the veteran conservative statesman who led Greece into the European Community a decade ago, was elected president by parliament.

Mr Karamanlis has no executive powers as president – they were abolished by the socialists – but as the founder of New Democracy, he wields considerable influence in the party, especially among potential contenders for the leadership.

He would almost certainly try to dissuade anyone who felt tempted to lead a party rebellion aimed at forcing Mr Mitsotakis to retire and provoking a fresh election. But given the magnitude of the country's economic problems and the unpopular choices necessary to solve them, this is not likely to happen in the near future.

Nor are the socialists putting up any serious opposition to the government's three-year stabilisation programme. Indeed, Mr Andreas Papandreou, the former prime minister, who was a keen advocate of state ownership while in office, complained recently that the government was dragging its heels over privatisation.

Mr Papandreou, also 72 and in uncertain health, has had some ups and downs with his Panhellenic Socialist Movement (Pasok) in recent months as would-be successors started manoeuvring for position. There are several strong candidates but, like their conservative counterparts, they seem prepared to play a waiting game.

In any case, the start of Mr Papandreou's long-awaited trial, together with three former cabinet ministers, on charges of involvement in the $200m Bank of Crete embezzlement scandal rallied the party behind him. Mr Papandreou's refusal to take part in the proceedings, which he claims are the outcome of a political conspiracy against him, have taken much of the drama out of the case.

The vengeful mood of two summers ago, when the conservatives joined forces with the communist-led Left Alliance in a short-lived coalition government for the exclusive purpose of prosecuting Mr Papandreou and his closest associates, has faded away. Mr Mitsotakis has nothing to gain from reviving past bitterness if he wants to keep austerity on track and at the same time project an image abroad of responsible leadership.

Were it not for a recent shake-up in the Left Alliance, Greek political life would almost be dull. After a contentious Communist Party congress where he helped the Stalinist old guard re-establish control, Mr Harilaos Florakis, the elderly communist leader, finally stepped down. Even more surprising in a country with only a handful of female politicians, both Communists and the Left Alliance elected women leaders who have scarcely turned 40. However, continuing internal battles suggest the Alliance is now more likely to split than to play a more significant role.

In foreign policy, relations with the United States, always unpredictable in the Papandreou era, have shown a marked improvement. The signing of new agreement for the US military bases, once a focus for acrimonious political debate, was barely commented on. After contributing a frigate to the multinational force in the Gulf war, Greece is participating for the first time in a UN peacekeeping force, on the Iraq-Kuwait border.

But Turkey's increased regional importance following the war is causing concern, while long-buried Balkan issues have resurfaced amid increasing instability along Greece's northern borders.

Criticism of the government's performance during its first year in office centres on the sluggish pace of reform. At the political level, Mr Mitsotakis had little difficulty in obtaining a special European Community loan to avert an impending balance of payments crisis and also provide some seed money for long-overdue infrastructure projects.

But fulfilling the terms of the EC loan, essential if Greece is to participate in the next stage of European economic and monetary union, does not just mean improving the economic indicators – though this is hard enough after a decade marked by stagnating industrial output, runaway deficit growth and a growing black economy.

As a former economy minister, Mr Mitsotakis knows that cutting civil service payrolls, being less generous with state pensions, broadening the tax base and curbing tax evasion will require a radical overhaul of the public administration – and of attitudes among its employees.

The price of failure, the government is beginning to fear, could be Greece's relegation to satellite status within the Community.

Mr Mitsotakis says: "We have to apply these policies. I'm prepared to lose the next election if I have to, but this is the only way forward."

In fact, the fiercest opposition to change comes from within the conservative party. New Democracy supporters, together with a number of MPs and party officials, feel resentful that their leader is trying to break with the traditional *rousfeti* system by which public sector positions, from cleaners to bank governors, were redistributed by the winning party after each election. After eight years in opposition, and with unemployment rising, they want a share of the cake.

But if Greece is to bring the economy in line with single market requirements, let alone catch up with Portugal and Ireland, old habits will have to be cast aside. A new class of efficient, non-partisan administrators must be found.

Improving the state education system is crucial: state schools are ill-equipped and badly-paid teachers take out their grievances in prolonged strikes. Last winter high school students around the country staged a three-week sit-in. The protests flared into disturbingly violent street protests in Athens after a teacher was killed in a riot.

As a short-term solution, the government is trying to attract younger Greek bankers and economists back from abroad with a fair degree of success. But only a limited number of talented diaspora Greeks can be expected to put their careers on hold for the sake of helping out at home.

It will be much harder, for example, to train several thousand tax inspectors and motivate them to remain honest in a system where superiors often turn a blind eye to corruption.

And just in the year since the conservatives took over, a new generation of *karekloken-tavroi*, administrators who cling to their jobs at all costs, has sprung up among the temporary managers appointed to oversee the privatisation programme.

Still, Greek businessmen are feeling more cheerful. There is persistent grumbling about interest rates that hover just below 30 per cent, but the more efficient companies in the private sector are busy positioning themselves for an expected surge in growth after 1992. Deregulation of the labour market, with the introduction of flexible hours and part-time work is also making life easier.

"There are problems in co-ordinating policy, between the public sector, the private sector and local government for instance. The government lacks management skills. But it's moving in the right direction," says Mr Stelios Argyros, president of the Federation of Greek Industries.

Amy Gunville Trapeitis

Traditionally dressed guards march down Vasilias Sofias Avenue to Acropolis Airport, Sounion

IN THIS SURVEY

Editorial production
Gabriel Bowman

Kieran Cooke looks for changes in the country's foreign policy

The old feuds, the old troubles

OPEN THE history books. Dust off the old maps. There is trouble again in the Balkans.

The priorities of Greece's foreign policy have traditionally been Turkey, Turkey again and then the US. Things are changing. Turkey is still top of the list. But now the Balkans, along with the European Community, have assumed greater importance.

In recent months foreign policy debate within the EC has been dominated by the break-up of eastern Europe and the consequences of German unification. But for Greece, problems in the Balkans are of far more concern.

"Our geographical position has always meant that we have special worries about the Balkans," says Mr Constantine Mitsotakis, the Prime Minister. "Now the problems in the region are acute."

There is great concern about the possible break-up of Yugoslavia. Macedonia, perched on Greece's northern borders, might become a break-away republic and try to pursue what Athens terms as irredentist claims on Greek territory. Turmoil in Yugoslavia would also have serious economic consequences. It could put in jeopardy Greece's vital road links with the rest of the EC.

Mr Mitsotakis's government has worked hard to promote good relations with the new regimes in Bulgaria and Romania. But Greece has been in something of a quandary over recent events in Albania.

Earlier this year Mr Mitsotakis became the first Greek premier to visit Tirana. A breakdown of Stalinist-type controls in Albania has meant a partial opening of frontiers. Greece has suddenly found itself the rather reluctant host to thousands of members of the Greek minority in southern Albania. Having talked for years about the plight of this group in what is known in Athens as North Epirus, the government cannot very well turn the refugees back: Mr Mitsotakis has instead pleaded with them to stay in Albania and await political changes.

There is concern that Washington might try to upset the ratio of military aid given to Greece and Turkey

But, as ever, Turkey remains at the centre of Greek foreign policy. "The problems between Greece and Turkey are still in the same old rancid state," says Mr Thanos Veremis of the Hellenic Foundation for Defence and Foreign Policy. "After Mr Papandreou (the former Greek premier) and Mr Ozal (the then Turkish Prime Minister, now president) met in Davos in 1988 there was talk of a rapprochement between the two sides, but nothing has come of it," Mr Veremis adds.

Greek arguments with Turkey focus on two issues. One is the continuing Turkish presence in northern Cyprus, dating from the 1974 invasion. The other concerns various territorial claims – on the delineation of the Aegean continental shelf, the extent of territorial waters and flight controls in Aegean air space.

While the arguments might appear somewhat stale, they still have the potential to erupt into open conflict. As recently as 1987, Greece and Turkey were brought to the brink of war over rival oil exploration claims.

Suggestions that Greece has lessened its resolve in any way on the Cyprus question are firmly dismissed by Mr Mitsotakis. He draws parallels between recent events in the Gulf and the Cyprus question. "I feel now that conditions are better than ever for a settlement. The world reacted strongly to the occupation of Kuwait. There is a foreign occupation in Cyprus. The Security Council resolutions on the issue must be implemented," says Mr Mitsotakis.

This view is unlikely to be echoed in Ankara. There are fears in Greece that Turkish attitudes are hardening. The theory is that Turkish self-confidence has been bolstered by its role as a vital support base for the allied forces during the Gulf conflict.

Mr Antonis Samaras, the Greek foreign minister, has lobbied energetically in western capitals to try to ensure that Greek interests are not forgotten. At the same time, Mr Samaras has sought to reinforce relations with many governments in the Middle East.

Greek officials admit that foreign policy, with the exception of attitudes to Turkey, has lacked consistency. Mr Papandreou sought to weave a complex set of relationships with the third world, with the countries of the Middle East and with some of the now disgraced governments of eastern Europe. During his term of office, there was much anti-US talk but behind the scenes Athens remained close to Washington.

In the middle of last year Mr Mitsotakis became the first Greek premier to make an official visit to the US in 27 years. He describes relations now as "excellent". A new agreement on US bases in Greece has been signed. Out of the four bases one has already been closed through Pentagon cost-cutting measures, while another is due to stop operating later this year.

But there are still some political difficulties between Athens and Washington. Greece was angry about a State Department directive issued during the Gulf war advising US nationals not to visit Athens.

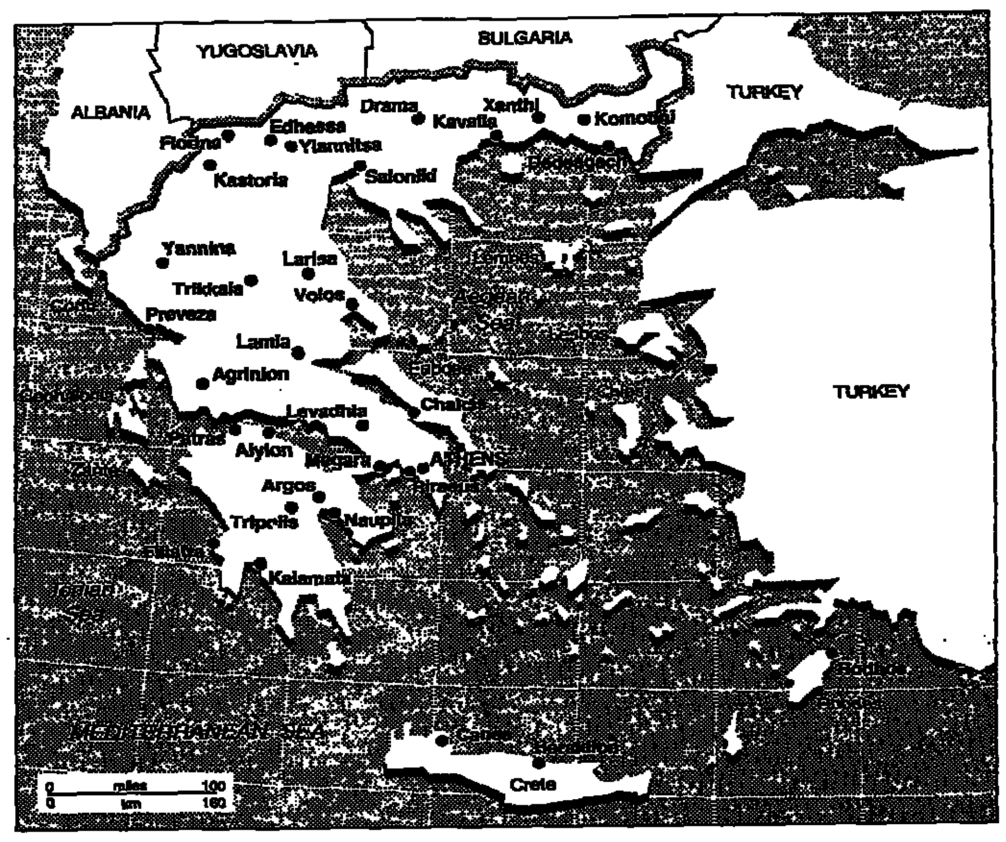
More broadly, Greece is concerned that a Washington which is now more well-disposed towards Turkey might try to upset the seven-to-10 ratio in military aid given to Greece and Turkey. However, this ratio is more myth than fact – for some time more US aid has been flowing to Turkey.

American officials in Athens say it is clear that the EC is now seen as "big brother" in Athens, rather than the US. Greece is among the most ardent integrationists in the EC. It wants a common defence network and to become a full member of the Western European Union (WEU). Some officials in Athens say Turkey has been actively lobbying against the latter move.

Greece has been heartened by what it sees as increased EC interest in the Cyprus question. Luxembourg, the present holder of the EC presidency, has proposed some form of initiative on the issue: however, some EC members clearly do not want the Community to be dragged into what is seen as an argument between Greece and Turkey.

Last month Greece again used its veto within the Community to block Ecu600m worth of EC aid to Turkey. The aid had been linked to progress on the Cyprus issue. Greece said that if Turkey were to receive the funds, it would be seen as "a reward for Turkish intransigence."

Again, some EC members were unhappy at this development. Greece recognises that its interests are best served within the EC. But it is also beginning to realise that there are limits to EC patience when it comes to old and seemingly intractable arguments between Athens and Ankara.



KEY FACTS

Area	131,957 sq km
Population	10.2 million (1990 estimate)
Head of State	President Constantine Karamanlis
Currency	Drachma (Dr)
Average Exch Rate	1989 $1 = Dr162.4 1990 $1 = Dr158.5

ECONOMY

	1989	1990
Total GDP ($bn)	54.4	67.3
Real GDP growth (%)	2.8	1.3
GDP per capita ($)	5429	6600
Components of GDP (%)		
Private Consumption	71.5	70.0
Gross Investment	18.7	18.7
Government Consumption	17.0	20.5
Exports	26.7	22.8
Imports	-33.9	-32.0
Consumer prices (% change)	13.7	20.4
Unemployed (% of lab force)	7.5	7.5
Reserves minus gold ($bn)	3.2	3.4
Narrow Money growth (% pa)	31.9	n.a.
Broad Money growth (% pa)	24.2	n.a.
Discount rate (% pa, Dec)	19.0	19.0
Total external debt ($bn)	18.7	20.7
Current Account Balance ($bn)	-2.6	-3.6
Exports ($bn)	6.0	6.4
Imports ($bn)	15.1	18.7
Trade Balance ($bn)	-9.1	-12.3
Main Trading Partners		
(1989, % by value)	Exports	Imports
West Germany	21.5	19.7
Italy	18.1	13.5
France	8.1	7.5
Total EC	61.5	59.4

Source: IMF, Datastream, Economist Intelligence Unit.

Omonia Square in Athens. Thousands of the Greek minority in southern Albania have made their way to Greece

RELATIONS WITH EUROPE

The piper calls the tune

IN THE wealthier parts of Athens, the mink coats come out during the short spells of winter weather. The children of the wealthy – there are plenty of them – while away their time in coffee bars or parade round the city in expensive cars. House buyers still carry suitcases full of drachma to complete cash purchases for properties which have recently risen to London-style prices.

At times it is hard to reconcile life in Greece with the official statistics: on a wealth per head basis Greece is now the poorest country in the EC. It also has the worst economic health record in the Community. It has been saved from financial pneumonia only by emergency treatment from Brussels, in the form of a recently approved Ecu2.2bn loan – granted on the strictest terms yet imposed on a member state.

1990 was the year when the EC finally ran out of patience with Greek governments which seemed either unwilling or unable to put the country's financial affairs in some sort of order.

Early last year Mr Jacques Delors, president of the European Commission, wrote a terse letter to the then "ecumenical" government. He said the deteriorating economic situation in Greece threatened the future not only of the country but also jeopardised future developments within the EC. Greece, said Mr Delors, was lagging behind the Community to the point where the EC's "course towards the single market, monetary union and European unification is in danger of being permanently undermined."

Greece's creditworthiness was increasingly at risk due to a rapidly rising public debt and other imbalances in the economy. "We think it indispensable that drastic measures be quickly taken to make clear the country's willingness to reduce these imbalances for good," said Mr Delors.

The direct language of the communication broke the delicate protocol the Commission employs in its dealings with sovereign EC governments. The EC was angry that Greece had failed to abide by the terms of a $1.7bn EC emergency loan made in 1985. The message this time was clear: if Greece did not put its economy in order, then the country risked being left behind by the rest of the Community.

Problems should be solved 'within the family', said Delors

The new EC loan – finally approved in February this year – sets the parameters of Greek economic policy for the next three years. The loan is in three tranches and is set on what the Commission describes as "strict and comprehensive" conditions.

These include bringing inflation down from 17 to 7 per cent, cutting central government borrowing from 17 per cent of GDP to 1.5 per cent in the 1990-93 period, a 10 per cent reduction in public sector employment, curbs on public sector pay rises and a radical broadening of the tax base.

The government is in desperate need of the loan to cover a current account deficit which totalled $3.2bn in 1990. The loan is also necessary to ensure Greece's continuing creditworthiness as it goes to the market for an estimated $3.6bn of foreign borrowing this year.

Mr Constantine Mitsotakis, the Prime Minister, denies that the terms of the loan constitute an infringement of Greek sovereignty. "What appears to have been a set of conditions imposed from outside was in fact our policy," says Mr Mitsotakis. "We told Brussels to tell us these things. Our economic policy is a very courageous one and has various political and social risks attached to it. But we are determined to carry out these vital reforms."

Some Greek officials admit that the fact that Brussels is seen to be imposing its terms on the future course of the economy has made life easier for the government. In the divisive world of Greek politics it would have found it hard to act alone. There could have been a series of damaging strikes and social chaos.

There was some disquiet within EC ranks about the loan. Mr Mitsotakis says agreement was reached only after consultations "at a very high level". At a meeting of EC finance ministers in Milan last December it was suggested that Greece should turn to the IMF for help. But Mr Delors and others have argued that a solution to Greece's problems should be found "within the family" of the EC.

If Brussels shows signs of impatience with Athens, then many Greeks also feel that the rich, well-developed countries of the EC do not have sufficient regard for their country's particular problems – whether they are ones of geography, politics or culture. "We Greeks have been slow to learn the intricacies of dealing with Brussels and have had difficulty in co-ordinating our policies," says one official. "For that we are penalised."

Like other countries on the EC's periphery, Greece feels it must be granted some special treatment if, in the words of the Brussels bureaucrats, there is to be "a level playing pitch" between EC members.

On the macroeconomic level, Greece cannot be said to have made the most of the opportunities offered by its 10-year EC membership. In 1981 Greek per capita GDP was 58 per cent of the EC average: it is now 51 per cent. Large inflows of EC money in the early 1980s were not used to make the fundamental readjustments necessary in the economy.

Rather than modernise the agricultural sector by investing in agribusiness industries, funds were used to import new cars or buy videos. As happened in several other EC member countries, there was no proper supervision of spending. EC monies helped the former socialist government of Mr Andreas Papandreou to carry on the tradition of making political appointments to the civil service and give electorally beneficial pay rises.

Mr Costas Simitis was national economy minister during the middle years of the Papandreou era but resigned in 1987 when the former government, faced with an election, abandoned its austerity programme. He admits that mistakes have been made and that as a result Greece only has "a weak voice" within the EC. "The trouble now is that the government does not have any specific plan as to how it will bring about the reforms Brussels is asking for. For instance, it has no idea about how to levy taxes on farmers," says Mr Simitis.

There is little talk of the unified market and 1992 in Greece. Ecu7bn of EC structural funds covering the 1989-93 period may not be fully utilised due to the lack of public and private matching investment. Of more immediate concern are the implementation of wage agreements and bringing down inflation.

Greek attitudes have changed. Greeks are firmly in favour of EC membership, even if many still refer to Europe as "over there". "We must make sacrifices and fight hard to play our full part in Europe," says a Greek official. "If we fail now, we risk being permanently marginalised."

Kieran Cooke

The economy: **Kerin Hope** says it will be hard to avoid a revenue shortfall

Wealthy uncle becomes less indulgent

WHEN A Greek is in dire financial straits, he remembers his *barba stin Koroni* – a wealthy uncle in a distant town.

Twice in the past six years, the government has done much the same thing, seeking assistance from Brussels in the form of an emergency balance of payments loan.

But the European Community, which granted Greece an Ecu2.2bn ($2.7bn) loan in February, is much less indulgent than it used to be. Stringent conditions were attached before the first tranche of Ecu1bn was paid.

If Greece is to participate in the next phase of European monetary union, it must meet ambitious targets for reducing a chronically high inflation rate and public sector borrowing requirement in the next three years.

Mr Efthymios Christodoulou, the economy minister, says: "It's a basic choice. Either you follow the other 11 (EC members) and make an effort to submit to painful measures, or you stay on the periphery and see what happens."

To ensure the drachma can enter the Exchange Rate Mechanism of the EMS by the end of 1993, inflation must come down to 9.5 per cent that year, from 22.8 per cent in 1990. This year's target is 17.5 per cent.

Central administration borrowing, which totalled 13.1 per cent of GNP last year, is expected to shrink to 10.5 per cent this year and reach a minimal 1.5 per cent in 1993.

The current account deficit must be limited to 3 per cent of GNP, compared with an average of over 4 per cent for the past two years.

Other conditions call for the kind of reforms that Greek economic analysts have advocated for years but governments were always reluctant to apply because of the political cost.

They include a 10 per cent cut in civil service staffing levels by 1993, a broadening of the tax base to include more farmers and an effective crackdown on tax evasion by restructuring revenue collection.

Such strict conditionality is the result of the former socialist government's failure to keep the terms of an Ecu1.5bn Community loan in the mid-1980s.

Structural reform was largely ignored but the government managed to cut the PSBR from 18 to 13 per cent of GDP and bring inflation down from 22 to 12 per cent before yielding to pressure for substantial wage increases.

These, together with an extravagant campaign to find public sector jobs for socialist supporters in the run-up to the June 1989 election, quickly dissipated the gains from two years of tight austerity.

Crucial economic decisions were postponed during almost a year of political stalemate before the conservatives' narrow election victory last spring. Now the government cannot afford any delay at all in implementing reforms if it wants to benefit from a recovery forecast for 1993. By that time, another election will be imminent.

One encouraging sign has been union willingness to accept pay rises well below the inflation rate, following the abolition of automatic index-linking of wages at the end of 1990. This year public sector employees will receive nominal increases of 8 per cent.

In the private sector, a landmark agreement was struck that seems to guarantee smooth labour relations for the next two years. The unions agreed to a basic 12 per cent increase for this year and 9 per cent in 1992, when inflation of 14 per cent is forecast.

In fact, inflation could drop below 17 per cent this year. "Underlying inflation, especially labour costs, is below the consumer price index, and this year's target was set when the outlook for oil prices was much gloomier," said one analyst.

Growth this year will be restricted to less than 1 per cent, but even that would be an improvement. Revised estimates for 1990 show negative growth of minus 0.4 per cent, largely as a result of a sharp drop in agricultural production after a disastrous drought.

The main challenge for the government is to meet its budget targets for curbing public sector expenditure and increasing revenues.

There has been little sign so far that the deficit-plagued public sector enterprises have reined in spending, though a new scheme requiring them to submit monthly accounts to the Economy Ministry should impose more discipline.

About 35 per cent of budget revenues are already earmarked for serving the public debt. Even if the stabilisation programme meets all its targets, overall debt will still total more than 90 per cent of GDP in 1993.

On the revenue side, the Finance Ministry is confident of maintaining last year's growth in tax income of more than 30 per cent. But tax evasion deprived the government of Dr350bn in revenues last year ($1.9bn), equivalent to about 3 per cent of GDP.

Mr Yiannis Palaiocrassas, the finance minister, says: "Much of the present evil in the tax system stems from apparently contradictory provisions and regulations that make it hard to determine when an enterprise is outside the law. But it's true there is a lot of corruption everywhere."

The black economy, estimated at 30-40 per cent of GDP, is under attack. Buoyed by the success of its raids on night clubs and restaurants, the ministry is setting up a "tax commando unit" to frighten more proprietors into producing correct receipts on their newly installed cash registers.

But the new income tax structure will not come into effect until 1993. In the meantime, tax returns will be systematically cross-checked this year for the first time.

It is becoming increasingly clear that the government is unlikely to collect the expected income from its privatisation programme. The Industrial Reconstruction Organisation was expected to sell about 20 companies under its control this year. Due to lack of interest from buyers, it seems that all but half a dozen may have to be liquidated instead.

Another important potential source of revenue, sales of land bonds redeemable as building plots, is lagging behind schedule. If, as seems likely, they are not introduced until late in the year, it will be hard to avoid a revenue shortfall.

BANKING

Out go curbs, out go funds?

BANK OF Greece officials are professing confidence that when restrictions on long-term capital outflows are finally lifted next month, there will be no large-scale flight of funds. But if a note of trepidation creeps into their voices, it is hardly surprising.

The liberalisation, which will bring Greece into line with its European Community partners by permitting individual Greek investors to buy property and securities abroad, is already more than a year overdue.

Successive governments obtained an extension, citing a steadily worsening current account deficit that reached $3.6bn last year, over 5 per cent of GDP.

The deficit is shrinking only slowly, but a commitment was made to freeing outward capital movement this spring under the terms of the EC emergency balance of payments loan to Greece.

Mr Dimitris Chalikias, the governor of the Bank of Greece, belives the benefits of liberalisation will quickly outweigh any adverse effects on the balance of payments.

"We're not very worried about the effect on the current account deficit. It won't be so large. The important factor is the confidence it brings, which will encourage capital inflows as well."

There are no longer any restrictions on inward capital movement, or on direct investment abroad. Greek companies are already allowed to borrow from foreign banks, in foreign currency if they wish.

But until last year, total Greek purchases of foreign securities were limited to Ecu50m ($60m) yearly in EC and European Investment Bank issues. At present, Greek mutual funds can place no more than 25 per cent of their portfolios in foreign stocks.

The average Greek businessman still aspires to owning property in England or Switzerland and a portfolio of Wall Street stocks, though the flourishing equity and property markets in Athens mean such investments may be as much a status symbol as a hedge against the spectre of political or economic turmoil at home.

The Bank of Greece view is that the serious money has already left because wealthy Greeks have little difficulty in bypassing regulations in order to transfer capital abroad.

Mr Chalikias says: "If we consider the structure of foreign exchange receipts, invisibles are the most important item and private capital inflow is a very large item. This structure makes it relatively easy for capital to be exported unofficially."

Nonetheless, a steady trickle of funds abroad can be expected as smaller Greek investors experiment with purchases of foreign securities or buy second homes in parts of western Europe where prices compare favourably with those in Greece.

"We have one of the most antiquated banking systems in Europe, so we needed a mechanism for change"

On a lesser scale, lifting the current yearly ceiling of $300 on credit card purchases abroad, also included in the liberalisation, will add to the outflow.

Once the initial shock is absorbed, "this move will prove a catalyst for changing the entire Greek financial landscape," according to Mr George Zavvos, European Parliament member who chairs the recently established committee for the reform of the Greek financial system.

The committee's aim is to *implement EC policy on banking* and securities as swiftly as possible. This involves preparing a considerable amount of new legislation. While the Bank of Greece has been steadily deregulating the banking system over the past five years, little has been done to overhaul its legal framework.

Mr Zavvos, who used to work for the European Commission, should be the ideal person for the job: he was responsible for drafting the Community's Second Banking Directive.

"We have one of the most antiquated banking systems in Europe, so we needed a mechanism for change. The image of Greek regulatory institutions needs to be reformed. Integrity and efficiency are terribly necessary if we are to start competing with the rest of the Community."

The committee has already prepared legislative decrees on solvency ratios and capital adequacy arrangements that will bring Greece into line with standards worldwide. A law is being drafted on banks' accounting plans; a much-delayed scheme for guaranteeing deposits is nearly complete.

Improvements in prudential supervision are also high on the agenda. Testimony in recent weeks by Mr Chalikias and other Bank of Greece officials at the trial of several former cabinet ministers accused of involvement in a $200m embezzlement scandal at the privately owned Bank of Crete revealed that, without government support, the central bank was unable to mount an effective investigation of its own.

Once the new legislation is in place, the state-owned Greek banks, which still control more than 70 per cent of deposits but have largely failed to grasp the opportunities offered by deregulation, will come under much stronger pressure to modernise, Mr Zavvos says.

"The state banks have a competitive advantage in their proximity to the client plus their networks all over Greece. Their unions are weaker than they used to be, so there is a chance to improve efficiency. But they need up-to-date technology and management."

For the 22 foreign banks, the reforms will mean "a more level playing field," according to one foreign manager. Though the foreign banks complain about the vagueness of existing legislation, it has not deterred them from expanding their retail banking operations or from becoming the leading players in handling mergers and acquisitions.

The revised framework will also reinforce the position of the two leading private Greek banks, which between them hold 14 per cent of deposits.

Both have carved out profitable niches, expanding into leasing and brokerage activities in recent years, while avoiding involvement with the loss-making public sector corporations.

"The private banks have already done well out of deregulation. We're more flexible. It's a question of quality of services. Our bank is modelled on the kind of helpful high street bank that doesn't exist any more," says Mr Constantine Capsaskis, chairman of Ergobank, which looks after small businessmen and is one of the most profitable banks in Europe.

Kerin Hope

Kieran Cooke on investing in the country

Ending the nightmare

BANKING IN Greece is not an easy business. One of the main hiccups is communications. The telephone network, starved of investment for the last two decades, is overloaded and outdated. Banks in the state sector are chronically overstaffed. Labour problems are a common occurrence.

For the customer, even the simplest transaction can take a great deal of time as tellers wrestle with telephones that don't work and piles of paperwork.

Mr Panagis Vourloumis is the managing director of Alpha Finance, "the closest thing to a merchant bank in Greece", as he puts it.

"Our communications technology is years out of date. People cannot get in touch with us so we lose business," Mr Vourloumis says.

He feels that if there is not substantial investment and reform in the banking sector soon, Greece risks being left behind not only by the more advanced countries in the European Community but also by Spain and Portugal which are already putting into place new banking systems. He believes that Greece has expertise in many areas and could develop a proper financial services industry.

"At the moment financial services are only an appendage of the banks. But they could develop independently, for instance if offering banking expertise and services to countries like Bulgaria and Romania – places where Greek banks, more than the more developed institutions in Germany or the UK, have a knowledge and feel for the way business is done."

Alpha Finance has been approached by various east European countries but, Mr Vourloumis says, it already has more than enough business in the home market. "Even with our communications problems, we can compete with the foreign banks."

Set up two years ago, Alpha Finance belongs to a group of financial services companies founded by Credit Bank, Greece's largest private bank, which include stockbroking, leasing, insurance and financial information services.

Credit Bank is the largest shareholder. Samuel Montagu also has a small stake, with the rest of the institution's equity held by employees – an innovation in the Greek banking sector.

In the past two years, with a dramatic rise in business on the Athens Stock Exchange, Alpha Finance has been closely involved in helping several companies go public.

Together with Credit Bank, it launched two mutual funds, a diversified equity and a fixed income fund, the first of its kind in Greece. The two funds manage more than Dr20bn ($110m) in assets.

Bank customers carry briefcases bulging with drachma

Alpha Finance is also involved in the government's privatisation process, carrying out valuations and acting as financial adviser on the sale of several companies.

"Privatisation is a revolution in Greece. If it's successful, and for the future of the country it has to be, then the whole economic outlook will change," Mr Vourloumis says.

He points out that as the recession bites deeper, "some foreign institutions have come to pick the crumbs from the Greek table – something we welcome because it broadens the market."

But Mr Vourloumis and other bankers accept that Greece is still viewed as a bureaucratic nightmare for some foreign institutions.

While profit repatriation is permitted, bureaucratic stipulations result in tortuous hold-ups. A combination of labour problems and telecommunications difficulties has held up progress on automated banking. Cheques are almost as rare as a free taxi in the Athens rush hour. The black economy encourages cash transactions. It is not uncommon to see customers carrying briefcases bulging with drachma in and out of banks.

"Setting up Alpha Finance was an expression of our faith in the future," says Mr Vourloumis. "I am an optimist – things are going to change."

Piraeus, the port of Athens, is trying to attract new shipping and financial activities Glyn Genin

There is something of a revival in shipping, reports a special correspondent

A new look emerges on the Piraeus waterfront

SOMETHING OF a "new look" has emerged on the Piraeus waterfront in the year since the conservative New Democracy party came to power. It started with a decision by Mr Constantine Mitsotakis, the prime minister, to take on the shipping portfolio himself, a move seen by the community as long overdue recognition for its contribution to the economy, as major employers and earners of foreign exchange.

Day-to-day running of the Merchant Marine Ministry was left to Mr Aristotle Pavlides, who eventually took over as minister six months later. By that time, the prime minister's promise to address the shipping industry's problems with "imagination and daring" had resulted in new measures intended to boost the competitiveness of Greek flag vessels in the international market.

Tonnage tax on vessels of 80,000 gross tons was slashed by 75 per cent, while ships from 40,000 to 80,000 gt were granted a 50 per cent reduction. An extension of the tax breaks to smaller vessels is now under consideration by the ministry.

The crew reductions removed up to five members from the complements required on Greek flag vessels. To counter the outcry from seafarers' unions, Mr Pavlides made it clear that this was mainly a paper exercise to normalise a situation in which companies applied individually to use reduced "experimental" crews.

The government has also acted on shipowners' long-standing complaints about the dismal state of telecommunications in Piraeus. Efforts by the Greek PTT to upgrade the system include a pilot project giving the port priority. By June an extra 17,000 lines should become available, together with other improvements.

Maritime education, another nagging problem in the eyes of owners, is also being tackled. Some training schools that were expensive to maintain and not fully used have been closed. Now the British sandwich-course training system is being adopted and the ministry is consulting owners on further reforms to be implemented in the 1991-92 academic year.

Though the government's moves were favourably received by the shipping community, the number of vessels attracted to the national flag has remained relatively small. This is largely because of factors over which the government has little control.

Just as the tax and crew cuts were announced, a wave of strikes paralysed banks, communications and power supplies for a three-week period. The walk-outs underlined all too clearly the kind of problems that owners had been pointing out for years. Piraeus shipping offices were forced to relocate staff abroad temporarily, to keep in contact with their vessels.

The owners always look at the bottom line

In addition, a weak freight market and an uncertain outlook worldwide following Iraq's invasion of Kuwait were more than enough to induce hesitation about changing office location or flag.

Nonetheless, figures have improved. At the end of 1990, the Greek flag fleet stood at 2,031 vessels totalling 22.53m gross tons, compared with 2,003 vessels of 21m gt at the end of December 1989.

Foreign exchange earnings from shipping soared by 29.3 per cent over the same period to $1.79bn, the highest total since a 1981 peak of $1.82bn. The trend continued in January this year with earnings increasing by 21.1 per cent to $139m, against $111.5m in the same month last year.

The fleet's accident record also improved, with incidents involving Greek ships falling in 1990 to 54 from 58 the previous year. However, 51 lives were lost compared with only nine in 1989, principally because of two disasters.

Mr Pavlides stresses the need to rebuild a climate of trust between owners, seafarers and the government. Unquestionably, the government's efforts have made a difference. But Greek owners will continue to be market-oriented on the whole. Unless it makes sound business sense, they will not opt for the home flag or a Piraeus office.

Still, one indication of a revised perception of the situation in Greece came with the announcement by the London-based Papachristides Ship Management Services that it would transfer its ship management operation to Piraeus this spring.

The shipowners' associations continue to emphasise their stated aim of attracting new shipping and financial activities to Piraeus. But Greek owners, individualists to the last, always look at the bottom line where their own business is concerned.

One of the major issues, especially for smaller owners, is fleet replacement. By the end of 1990 Piraeus banks were offering new types of facilities to clients such as standby lines of credit for future vessel purchases.

As ship values dropped in the second half of the year, Greek owners, with their traditional knack for spotting a good buy, began to inspect vessels with a view to purchasing. The Gulf war put a temporary brake on plans, but since late February, owners have come strongly into the second-hand market again, showing interest in a wide range of vessels.

At the same time, two Piraeus-based companies have revealed new building orders for products carriers. One, Eletson Corporation, is already the largest dedicated products shipping company in the world. The other, Forum Maritime, is only now preparing to enter the wet trades.

Both new building contracts are for modern, highly sophisticated tonnage in line with standards required for trading with the US. They are an indication of the moves being made in the Greek shipping industry to slough off an unflattering image of operating an elderly fleet, kept under tight family control.

Kerin Hope on the progress towards privatisation

Why the timetable is slipping

A RECENT survey of Greek industry caused a stir by pointing out something the Finance Ministry knows only too well: the total amount of tax paid each year by private sector companies falls considerably short of the overall figure for losses incurred by public sector corporations.

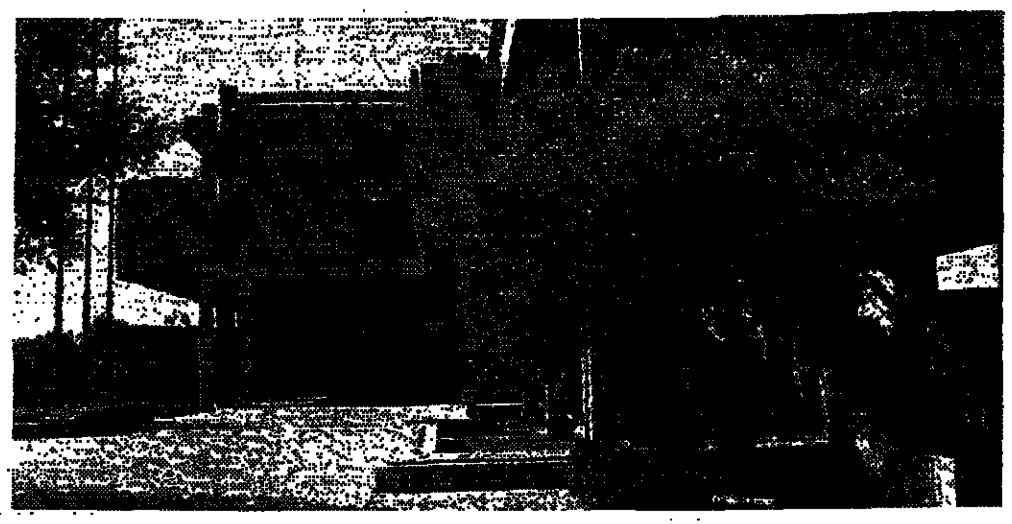
It is not just the state-owned transport and utilities companies whose payrolls are swelled by political appointees with little interest in boosting productivity. The public sector also has a dominant role in manufacturing though that is less visible, since many larger companies are controlled indirectly through the state-owned banks. Others belong to the Industrial Reconstruction Organisation, a state umbrella for a group of debt-burdened companies nationalised in the early 1980s by the former socialist government.

While the socialists were held responsible for weakening Greek industry through selective nationalisations in sectors they considered strategic, the seeds of today's crippling deficits were undoubtedly sown by the statist policies of their right-wing predecessors.

However, Mr Constantine Mitsotakis is determined to reverse past attitudes. The prime minister himself supervises a wide-ranging privatisation programme launched immediately the conservatives came to power last April.

The companies to be privatised form a profile of Greek industry: among them are shipyards, mineral processing units, a textile group, several paper mills, a leading construction company and a group of co-operative dairies that belong to the Agricultural Bank.

The original aim was to dispose of the 20-odd companies controlled by the IRO as quickly as possible and encourage the banks to shed another 70 companies. As a parallel measure, legislation was passed permitting the sale of up to 49 per cent of public sector corporations through the Athens Stock Exchange.



The head office building in Athens of Heracles General Cement, which is to be privatised

To co-ordinate the process, the government issued official guidelines for handling sales and appointed N.M. Rothschild, the British merchant banker, as its privatisation consultant.

But the timetable has slipped badly and it now seems unlikely that this year's budget forecast of Dr200bn ($1.2bn) in privatisation revenues will be met. Only two small IRO companies have been disposed of, a yachtbuilder and a plastics manufacturer. One partial privatisation has taken place with the sale of a 49 per cent stake in Olympic Airways' catering subsidiary to Abela, an international industrial caterer.

Valuations and appointments of financial advisers took longer than expected, while potential buyers were fewer than anticipated given the surge in acquisitions of Greek manufacturing units by both local and foreign companies over the past two years.

Mr Yiannis Piperoglou, an independent consultant serving as secretary to the government's privatisation committee, says: "When we started, I was looking forward to putting some deals together. But we all underestimated the legal complexities of privatisation. The process will take years and getting rid of the IRO companies is only a small part of it."

Government officials admit that chairmen and managing directors of some companies on the privatisation list have resorted to delaying tactics to keep their jobs for as long as possible. Last year the IRO companies' losses totalled Dr45bn and their accumulated debts reached Dr215bn.

Mr Mitsotakis remains adamant that the IRO must shut down at the end of the year. This means in effect that a number of companies will be have to liquidated since the IRO will be unable to continue its current practice of extending deadlines in the hope of attracting better offers.

Further delays may be caused by a European Court of Justice decision in a case brought by the former owner of an IRO company. The court is expected to rule that the socialists' method of nationalisation, through a compulsory increase of share capital, flouted Community directives on company law because shareholders were not consulted.

Such a ruling could bring a spate of lawsuits against the IRO as other former owners see a chance to recover control of their companies, or at least to demand compensation from the government.

At the same time, Greek officials are having to stay in close touch with the European Commission to make sure that terms of sale for larger industrial companies, such as the heavily subsidised shipyards, do not run foul of directives on fair competition.

Much attention is being focused on the upcoming sale of Heracles General Cement, by far the best buy among the IRO's holdings and one of the few companies slated for privatisation that has posted operating profits in recent years.

While Heracles was being valued, the statist faction in the government argued in favour of keeping it in the public sector. The company was nationalised in 1983 with a capitalisation of debts totalling Dr27bn. The move later allowed the IRO to gain control of 70 per cent of its shares.

Even before the government committed itself to selling Heracles, the Commission had decided that this method of writing off debt violated competition rules.

Despite the legal complications, there is no shortage of interest in Heracles, said to be Europe's largest single cement exporter, among international producers. The company's pre-tax profits totalled Dr11.9bn last year on Dr41.6bn turnover.

The recent appointment as chairman of Mr Stelios Stavridis, a former Heracles executive who left shortly after its nationalisation, is seen as underlining the government's intention to speed up its sale.

"The company has deteriorated while under state control, but it is still in reasonably sound shape. My job is not to get involved in running Heracles but to accelerate the pace of privatisation. I don't intend to have to stay here longer than nine months," he says.

The country's political dynasties

A family business

A QUICK glance at the list of members of Parliament suggests that Greek politics is still very much a family business.

The present and former prime ministers, Mr Constantine Mitsotakis and Mr Andreas Papandreou, have a daughter and a son respectively in the House.

This is not really a coincidence considering that both leaders launched their own political careers from similarly privileged backgrounds. Mr Papandreou's father was a centrist prime minister. Mr Mitsotakis's great-uncle, Eleftherios Venizelos, was Greece's leading modern statesman.

Descendants of the old *tzakia*, prominent political families whose influence stretches back a century in some cases, are scattered around the front benches in Parliament.

On the other hand, a political dynasty can be founded by a successful outsider, like the present head of state, Mr Constantine Karamanlis, a schoolmaster's son from Macedonia who served as prime minister for 15 years. His youngest brother is a cabinet minister and two of his nephews are up-and-coming deputies.

Constantine Mitsotakis

But the rumbles of complaint from members of Mr Mitsotakis's conservative New Democracy party when he gave his daughter, Mrs Dora Bakoyannis, a junior ministerial post, were an indication of how attitudes are changing.

As under-secretary to the prime minister's office, Mrs Bakoyannis is responsible for co-ordinating government activities. She took over her husband's parliamentary seat after he was killed by a local terrorist group in 1989.

"I've been working for Mitsotakis for years. Now I represent one of the poorest constituencies in Greece where a lot needs to be done," she says. "Politics is my life, and I'd like another cabinet job when I've got more experience."

Greek political parties have rarely outlived their founders, but both ND, established by Mr Karamanlis, and Mr Papandreou's Panhellenic Socialist Movement (Pasok) may have put down strong enough roots over the past 17 years to survive changes that are inevitable in the next few years.

Following Pasok's earlier example, ND constructed a more effective grassroots organisation during its years in opposition. More younger members of Parliament were selected originally as candidates on the basis of local popularity rather than connections with the party hierarchy in Athens.

The frontrunner to succeed Mr Mitsotakis as ND leader, Mr Miltiades Evert, is a seasoned Athenian politician but not from one of the old families. As minister to the prime minister's office, he looks after civil service reform and makes a point of keeping a distance from the party machine.

A year in opposition has taken its toll on Pasok. Funds are low and the old populist enthusiasm is gone, especially in the countryside where the party built its power base.

Mr Papandreou's personal grip on Pasok has slackened, but there has been no attempt to unseat him. On the contrary, the start of his trial – in absentia – for alleged corruption while in office brought a closing of socialist ranks.

The succession battle could turn out to be a long drawn-out affair, given the doubts about Mr Papandreou's health since he underwent major heart surgery in 1988 and the number of potential candidates.

Half a dozen former cabinet ministers are frequently mentioned, but it is not at all clear which of them would appeal to both radical and social democrat wings of the party.

Potential contenders are keeping a low profile until the court reaches its decision, which may be several months away.

"The outcome of the trial will decide Mr Papandreou's political future," says Mr Costas Simitis, a former economy minister and the leader of Pasok's social democrat faction.

Kerin Hope

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CLASSICAL MUSIC

Athens roof for the arts

CLASSICAL MUSIC lovers, long a beleaguered minority in a country whose best-known composers are associated with the *bouzouki*, now have a concert hall to be proud of. The Megaro Mousikis, a white marble cube overlooking a main Athens avenue, has taken almost 40 years to complete, and its German-designed acoustics are said to compete with any symphony hall in northern Europe.

All the same, last month's opening was a modest affair. Almost nothing was done to mark the occasion. The Moscow Soloists, a chamber-sized ensemble led by Yuri Bashmet, a viola player, launched into Bach's Brandenburg Concerto No. 6 without a trace of inauguration night nerves.

It was the audience who looked awed, as much by the surroundings as the music. Until now, concert-going in Greece has required stoic dedication. It usually means perching in the precipitous tiers of an ancient theatre on a hot summer night with someone's knees pressing into the small of your back. Moonlight and history do not necessarily compensate for the thin quality of sound wafted from far below.

"Modern Athens never had a roof for the arts. This is what the Megaro will provide," says Mr Christos Lambrakis, the owner of Greece's largest newspaper group. As chairman of the Friends of Music, which persuaded the state to provide a site for the Megaro but repeatedly ran out of funds for construction, he convinced the former socialist government to come up with most of the Dr19bn ($10.5m) needed to complete the project.

Music is one of the areas where Greek cultural tradition has kept its distance from the west. Folk music followed eastern rhythms; in cities the equally oriental sound of the *bouzouki* held sway.

The *bouzouki* used to be inextricably linked with *rebetika*, harsh songs about drugs and violence in the Greek underworld. It was made respectable by composers Mikis Theodorakis and Manos Hadjidakis, whose scores for the films "Zorba the Greek" and "Never on Sunday" brought a softened version of *rebetika* to a much bigger audience.

"Nowadays, acoustics dictate the shape of a concert hall. To achieve clarity of speech you must be able to shrink the space but for the sound of a symphony orchestra to be appreciated, it must be enlarged again"

Yet Greece occasionally produced classical musicians of the stature of Maria Callas or Dimitri Mitropoulos, the conductor, who became household names like the bouzouki singers. In recent years classical music has gained ground rapidly, helped by the success of a new generation of performers with an international reputation.

But would the potential Greek audience be large enough to support a concert hall seating 2,000? Mr Lambrakis suspected not, so the Megaro was redesigned as a multi-purpose building when work on its concrete skeleton resumed in 1986 after a seven-year gap.

"Greece is obviously not the kind of country that can provide large subsidies for the arts. We have to try to ensure that we can pay our way," he says.

The original design by a German architect, Heinrich Keilholz, was radically overhauled to provide additional facilities for staging opera and theatre and to accommodate advances in acoustic technology. The acoustics were designed by Prof Helmut Muller, whose research was used in construction of the Opera de la Bastille in Paris.

"It would have been too expensive to demolish the concrete shell, so we had to work within the constraints of the original frame of a building which had a much less ambitious purpose. This presented a great challenge to the civil engineers," says Mr Rolf Krogmeyer, an architect who worked on the Megaro at the start of his career and found himself unexpectedly recalled years later.

The result is a hexagonal shaped hall with tiered boxes rising from both sides of the stage. Behind the stage is a huge organ, concealed by a wooden screen. The organ is a gift from Siemens and the Greek and German governments.

The suspended ceiling, panelled in American red oak, can be set in four separate positions to accommodate the variations in sound reflection that are needed for the full enjoyment of different kinds of performance: opera, theatre, chamber and symphony music.

"Nowadays, acoustics dictate the shape of a concert hall. To achieve clarity of speech you must be able to shrink the space but for the sound of a symphony orchestra to be appreciated, it must be enlarged again," Mr Krogmeyer says.

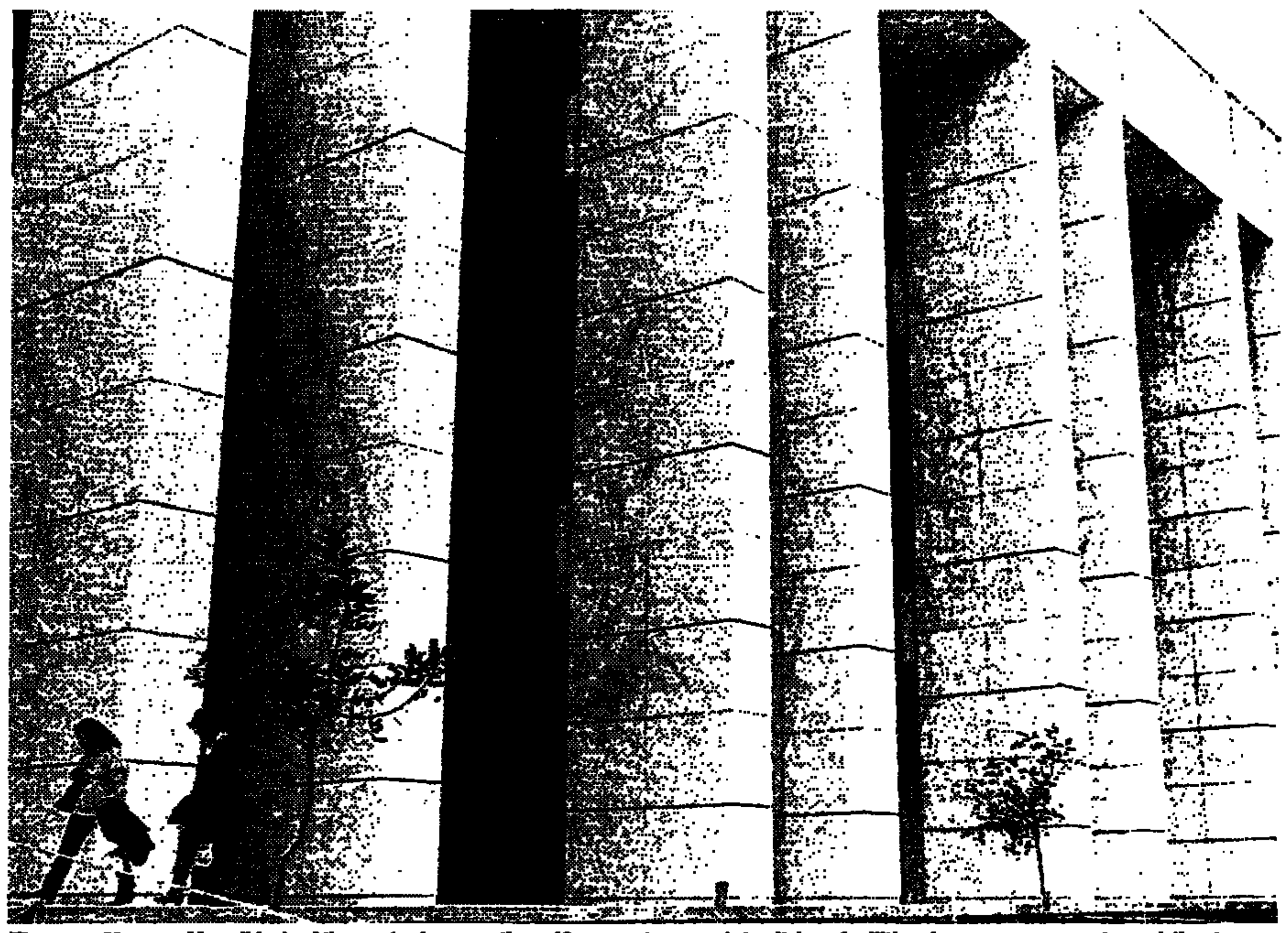
For theatre and opera, two towers rise from the basement and a lighting grid descends to form a conventional proscenium arch. The front of the apron stage drops away to make room for an orchestra pit.

The basement contains an asymmetrical chamber music hall, not yet finished, which will seat an audience of 500. Beside it is a self-contained recording studio with thick concrete walls set on steel springs to eliminate vibrations from passing traffic.

The main hall is also equipped to serve as a conference centre with translation booths for 10 languages. "It's designed so that you can hold a congress into the afternoon and then be able to set up for a concert in the space of three hours," Mr Lambrakis says.

Looking further ahead, the aim is to encourage young Athenians to become regular concert-goers. As a start, Mr Lambrakis intends to fit the courtyard outside the Megaro with a giant screen for simultaneous projection of performances going on inside. "There would be no entrance charge. We'll be helping young people to experience classical music through a medium they're familiar with."

Kerin Hope



The new Megaro Mousikis in Athens, took more than 40 years to complete. It has facilities for opera, concerts and theatre

The pressure of immigrants from Albania and the Soviet Union

Tribal feelings strained

DOWN AMONG the newspaper booths and merchant stalls in Omonia Square in central Athens, clusters of thin, weather-beaten men chat quietly. Any time of the day and much of the night they are there, dressed in old-fashioned jackets and ragged bell-bottomed trousers.

These are the Albanians, some of the many thousands who have crossed over into Greece in recent months. The Greek authorities say that to date more than 20,00 Albanians have arrived in Greece. Some have returned but at least 12,000 look like becoming permanent residents.

Most of the new arrivals are members of the Greek minority in southern Albania – a region that for long has been claimed by Greece and that is referred to as north Epirus in the political textbooks.

For years, Greece had expressed its concern about the Greek minority in Albania. Now, with the government in Tirana no longer capable of, or willing to, implement rigid border controls, the minority is flooding out. To the Greeks, their arrival is something of a mixed blessing.

However, Greece cannot turn back its north Epirot brethren. Athens is also aware that the new immigrants will at least bolster the Greek population. That is now a little over 10m. The birth rate is declining and there is much concern about what is called "the shrinking of Hellenism".

But the immigrants from Albania arrive with only the clothes they wear and with few skills. Most are farm workers in their early 20s. Greece faces enormous economic problems and is ill-equipped to deal with an immigrant influx.

Athens estimates the Greek minority in Albania to be more than 350,000 though the government in Tirana says it is 57,000. Mr Constantine Mitsotakis, the Greek Prime Minister, has appealed to the Greek minority to stay at home and await the outcome of political reforms.

Greece also faces pressures in dealing with other immigrants, both legal and illegal. Thousands of Bulgarians have entered Greece from the north. There are numbers of Poles living for the most part illegally in various parts of the country. Members of Turkey's Kurdish community regularly ask for political asylum.

The Pontians are one of the more intriguing groups to arrive on Greek soil in recent months. Pontians are an ethnic minority of Greek origin who once inhabited an area on the southern coast of the Black Sea – referred to as "Pontos" in ancient Greek.

According to the Greek government up to 500,000 Pontians are now dispersed through the southern Soviet Union. With the freeing of Soviet emigration controls, more than 25,000 Pontians have already arrived in Greece. Few speak modern Greek but this group is unlikely to be a heavy burden on the state.

Pontians are the butt of Greek jokes in much the same way as the Irish are to the English or the Poles in some parts of the US. But the Pontians are a resourceful group who through even the toughest times in the Soviet Union survived and often prospered.

In many parts of Athens, Pontians have set up stalls selling goods brought from the Soviet Union. As new residents of Greece, they have taken advantage of entitlements on car imports, buying luxury models and selling them for handsome profits.

To cope with these new immigrant groups, the government has set up a special bureau to co-ordinate educational and resettlement activities. It is a formidable task, fraught with social and political dangers.

Already, some concern has been raised about government plans to settle several thousand Pontians in Thrace – a region where Muslims predominate and one of the poorest in the country.

Greece wants to welcome its "returnees". But it is fully aware that its resources are severely limited. In some ways the homecoming could not have come at a worse time.

Kieran Cooke

Profile: METAXA

The other brand names are dead

MR Dennis Malamatinas, chief executive of Metaxa, says that his company boasts one of only three successful Greek brand names: "The others are Onassis and Maria Callas."

Tankers and arias are easier to identify than the contents of a bottle of Metaxa. In Greece it is "koniak," but to the rest of the European Community it is brandy. Ask a member of the Metaxas family which invented it a century ago and you are firmly told: "Metaxa is a unique spirit."

It is also very varied. Three-star Metaxa is something you gulp down in the village *cafeneion* on a winter morning before setting out to prune the vines. The five-star version is found in Athenian bars at a fraction of the price of cognac, though few fashionable Greeks are seen drinking it.

But seven-star Metaxa is *the* top-selling brandy in international duty free shops, with sales of 1.5m cases a year.

Nevertheless, duty-free sales account for only 13 per cent of Metaxa turnover, though more than 50 per cent of production is exported. Most is drunk in Germany and Austria, "by expatriate Greeks and people who like to keep up with things Greek between holidays," Mr Malamatinas says.

He joined Metaxa after the owners sold out in 1988 to Grand Metropolitan, the drinks, food and retailing group, with a brief to "transform a flourishing traditional Greek family business into a dynamic part of a multinational group."

Mr Malamatinas has the kind of background to make the transition go smoothly: a Greek born in Zimbabwe, he worked for Procter and Gamble in the US and headed Pepsico's operations in Italy before moving to Metaxa.

His management team was picked, he says, on the basis of "being internationally oriented with an awareness of Greek business culture" and asked to carve out a niche for Metaxa in the international fashion and luxury goods sector.

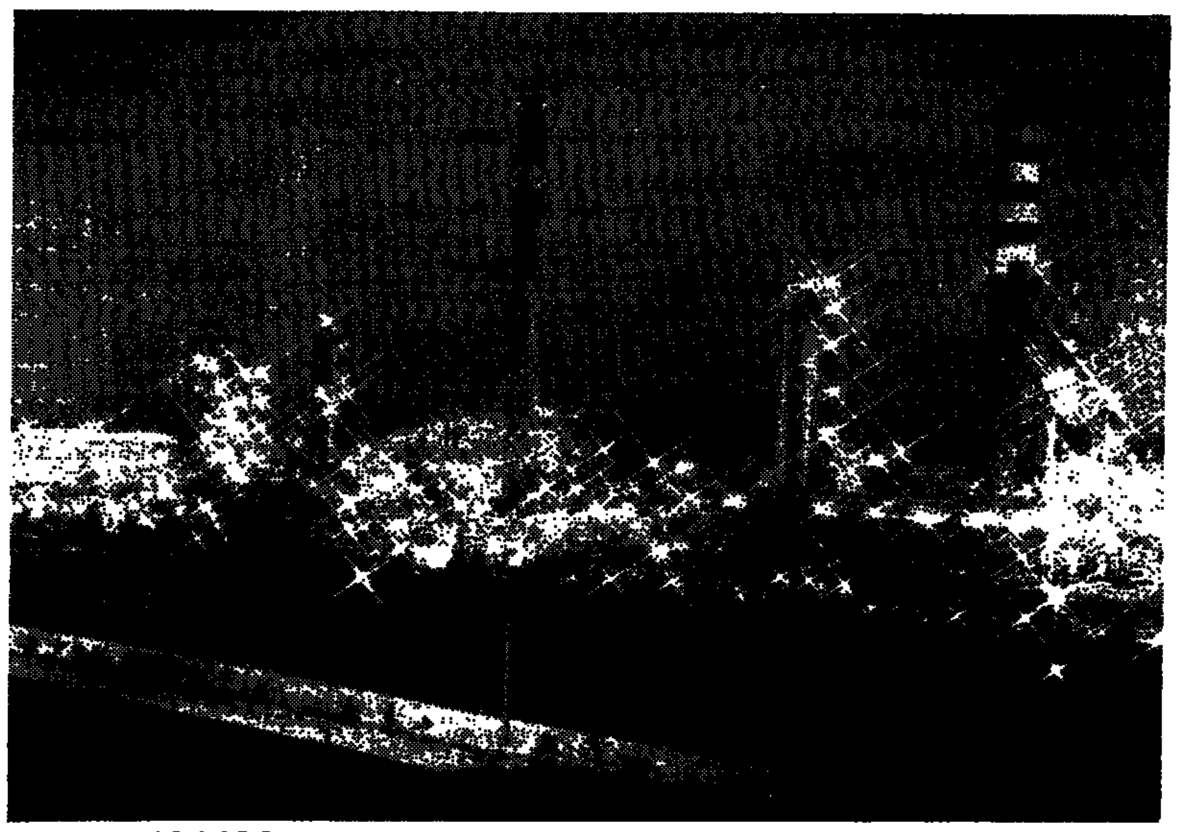
The Metaxa distillery outside Athens has been modernised and capacity doubled, at a cost of $4.6m.

Last year packaging and advertising for seven-star Metaxa was redesigned. The amphora-shaped bottle was relaunched as "the Greek spirit". Sales in 1990 improved by 10 per cent.

Unlike most Greek businessmen bought out by foreign companies in the past few years, the Metaxas family still keeps an interest in the spirits business.

Mr Elias Metaxas, who used to be the company's chief taster, owns a distillery in central Greece where he experiments with liqueurs and produces a brandy to match any Metaxa. "I am still fascinated," he says, "by anything to do with alcohol."

Kerin Hope



Kerin Hope on how the country's tourist bodies and hoteliers are trying to win back lost trade

Foreign visitors set to fall at least 10%

ZEUS XENIOS, the ancient Greek god in charge of offering hospitality to strangers, seems to have turned his back on the tourist industry. For the third time in six years, a disastrous plunge in bookings threatens to wreck a promising year for earnings.

Once again, a US travel warning to its nationals to avoid the eastern Mediterranean because of the risk of terrorist attacks following the Gulf war is scaring off the high-spending sector of the Greek market: Japanese honeymooners, incentive groups and conference organisers as well as the older Americans who like cruising in the Aegean.

Similar advice in 1985 was blamed for two unfavourable seasons that followed. Then came a terrorist attack aboard a cruise ship in 1988. This year a series of bomb explosions damaged foreign bank branches and tourist buses and a badly aimed rocket narrowly missed a luxury hotel. There were no injuries but concerns over visitors' safety have revived.

As in the past, the Greek Tourist Organisation (EOT) is trying to win back lost trade through heavier advertising. This year's campaign will cost Dr6bn ($33m). It is being co-ordinated for the first time by a group of Athens advertising agencies with international affiliations. This, it is hoped, will prove more effective than relying on haphazard media-buying by EOT offices abroad.

Senior Greek tourism officials have visited the big tour operators in Britain and Germany, their two main markets, as well as the US, offering reassurances about airport security and the government's determination to crack down on terrorism.

"We constantly point out that Athens is still one of the safest cities in Europe for visitors, in spite of what has been going on," says Mr Nikos Iatrakos, EOT's secretary-general. "However, we still face a considerable drop in numbers this year, 10 per cent at minimum but perhaps as much as 20 per cent."

In 1990, tourist arrivals reached a record 9.3m, a 9 per cent increase over the previous year's 8.5m, the average figure for most of the past decade.

Official foreign exchange inflows totalled $2.57bn, up from $1.89bn in 1989.

But if credit card purchases, cruise earnings and tour operators' commissions paid abroad are counted in, overall tourist earnings rose to $4.1bn, almost 6 per cent of GDP. Income for 1991 was expected to be well over $5bn but "now we'll be lucky to maintain last year's levels," says Mr Iatrakos.

The worst-affected region this year will undoubtedly be Athens. Despite its chronic traffic and pollution problems it remains the focus for most conferences and incentive tours and a starting point for the classical tours favoured by the Americans and Japanese.

Hopes of substantially boosting tourism in the capital during the 1990s suffered a setback last autumn with the failure of Athens' bid to stage the 1996 Olympic Games.

Advance bookings for the Mediterranean Games in July, one of several major sports events planned as dress rehearsals for an Athens Olympics, are disappointing, according to the organisers.

But amid the general gloom, tourist officials note one optimistic pointer for the future: the sale of the 100-year-old Grande Bretagne Hotel, to a Dutch-based investment company which has transferred management to Ciga, the international hotel group. As a family-run establishment, Athens' best-known luxury hotel could barely make ends meet, with occupancy averaging only 55 per cent in recent years.

Ciga is expected to invest considerably in refurbishing to bring the Grande Bretagne's facilities up to the standard of its other traditional luxury hotels around Europe. "The presence of a really top-quality hotel in Athens will upgrade the surrounding area and encourage other hotels to try harder," says Mr Iatrakos.

The government is already trying to ensure that older first-class hotels around Greece, including some in spectacular settings, are upgraded to the standards of increasingly demanding guests. It is breaking up a state-controlled hotel chain and offering individual units to private operators on long-term leases.

Improving hotel facilities is one of the easier ways of attracting more older, wealthier tourists, something Greece has been trying to do for years but without conspicuous success.

With 433,000 hotel beds, Greece has no shortage of accommodation. But many large island resort hotels built in the boom years of the 1970s have not been maintained to international tour operators' standards. Occupancy levels in Corfu and Rhodes have slipped in recent years.

It is no coincidence that the one area where bookings picked up sharply once the Gulf war ended was Crete, which boasts some of the best-run hotels in Greece. Last year the island drew over 1.7m tourists, close to 25 per cent of total arrivals.

"Large-scale tourism didn't start in Crete till the early 1980s. The resort hotels are newer and better managed and many of the mistakes made elsewhere were avoided. As a result, we get a very high proportion of return visitors," says Mr Thanos Habipis, chairman of the Cretan Hoteliers' Federation.

Glyn Genin

The main square in Heraklion, Crete — where bookings picked up after the Gulf War ended

ENVIRONMENTAL TOURISM

'Birds can mean good business'

MOST TOURISTS take one look at the Gouves estuary with its shallow, brackish lagoons and tufts of spiky grass and head further down the beach.

But birdwatchers are fascinated: this 30-acre wetland near Heraklion on the northern coast of Crete is a stopover for dozens of exotic species migrating to and from the rest of Europe.

With a little luck, Gouves should become the first organised centre for environmental tourism in Greece. Next to it is a 680-bed hotel belonging to Grechotel, the country's largest hotel management group, which is backing the project.

The problem until recently was opposition from local residents, who wanted to fill in the river delta and take advantage of soaring prices for property close to the sea.

In fact, one part of the delta is now covered by a soccer pitch. But the remaining lagoons are still frequented by such rarities as the giant flamingo, the glossy ibis, the pallid harrier and the booted eagle. More than 170 species have been logged on spring visits by British birdwatching groups.

Mr Nikos Daskalantonakis, Grechotel's chairman, who owns a sizeable part of the delta, is ready to see his property included in a nature reserve planned for Gouves. "Green tourism could be very successful on Crete," he says. "Why shouldn't Gouves set the trend?"

Many Greek wetlands have disappeared in the past 20 years as long stretches of sandy coastline were swallowed up by hotels and bungalow complexes. Though specialised bird and flower tours to Crete have been operating for years, environmental awareness was slow to develop in the rush to exploit traditional sea and sun tourism.

But members of the Royal Society for the Conservation of Nature have been taking an interest in Gouves for several years. Now the Greek tourism ministry is also involved.

A scheme to develop Gouves along the lines of the highly successful Minsmere nature reserve in Suffolk is being considered for European Community funding, as one of four green tourism projects in Crete. If accepted, the Community would contribute 50 per cent of the costs initially estimated at about Dr48m ($250,000).

In the meantime, the bird enthusiasts have been trying to persuade people in Gouves that their lagoons will be worth more in the long run if they are not filled in and sold off as building plots.

Mrs Anne Cryer, who runs a travel business for the Wildlife Trust in Britain, argued the case with the villagers with the help of videotapes from Minsmere dubbed into Greek.

"I think there's now a growing realisation that Gouves actually has a natural resource that will help it catch up with other tourist areas. Birds can mean very good business," she says.

Kerin Hope

ATHENS POLLUTION

Manos tackles the car fumes

MR Stefanos Manos is fed up with discussing the problems of Athens. The minister of environment and public works, an energetic – some would say impatient – technocrat, he blames "endless talking and delays in decision-making" for the continuing presence of the *nefos*, the brown pollution cloud that hangs over the city in still weather.

Car exhaust fumes are the major source of atmospheric pollution in Athens, now that industrial emissions are more strictly controlled and householders banned from using heavy diesel oil for heating.

Last summer Mr Manos proposed a tax break for Athenians who bought a new car equipped with a catalytic converter, provided that their old model was turned in.

Less than six months later, a short space of time by the standards of Greek bureaucracy, the measure was fully in operation. Car buyers, who normally pay import tariffs of over 100 per cent on new vehicles, rushed to the showrooms. Within weeks, the main graveyard for superannuated cars near Mount Parnes outside the city was almost overflowing.

Over the past decade the number of private cars in Athens has risen from 550,000 to 880,000. This was partly the result of government attempts to cut pollution levels in the city centre by permitting cars to circulate only on alternate days, according to the final digit of their number-plate.

Athenians got around the odd-even driving ban by acquiring a second car. But since many new purchases were of second-hand vehicles, the city's car fleet grew visibly older and dirtier. At the beginning of 1990, 40 per cent of private cars were more than 10 years old, compared with 15-20 per cent in other European Community capitals.

"The incentives are very successful. At the present rate, 30 per cent of the Athens car fleet will be replaced in three years. Then from 1993, only clean cars will be allowed into the city centre," Mr Manos says.

The next stage of his plan to banish the *nefos* is to build a network of underground garages across the city to provide 25,000 new parking spaces by 1994. They would be privately operated for 25 years and then turned over to the Athens municipality.

"On any weekday, there are 45,000 cars illegally parked around Athens and 60 per cent of the city's road surfaces are taken up by stationary vehicles. If we get parked cars off the streets, traffic will start flowing faster and there'll be fewer fumes," Mr Manos says.

The third stage is to revive a highway project first proposed over 40 years ago by building about 50 kilometres of highway across northern Athens to relieve pressures on central traffic arteries. It will cost about Dr150bn ($850m) and be operated "by the constructor as a toll road, a fast highway where you pay to save time."

Stefanos Manos

Mr Manos says he is sticking to "quite simple projects, because you have so little time to make anything happen before people start thinking in terms of the next election."

The biggest project of all, a Dr250bn extension of the Athens underground, should finally get under way by the end of the year. Its start is already two years behind schedule because of politically inspired delays and a dispute over contract terms.

An international consortium led by Siemens of Germany is to build two new lines across the city centre, totalling 18 kilometres in length, and nine stations including one beneath Constitution Square. The extension will take six years to complete and should carry 1bn passengers a year. **Kerin Hope**